

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

3441415
W &
copy 5



United States
Department of
Agriculture

Economic
Research
Service

WAS-35

March 1984

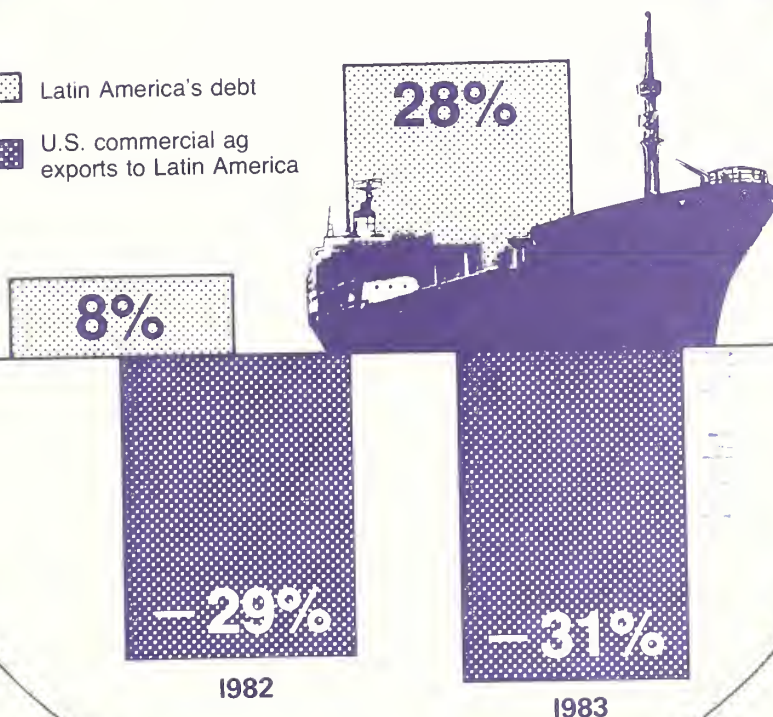
World Agriculture

Outlook and Situation Report

Rising LDC debt hurts U.S. exports, page 29

Percent change from 1981 in Latin American debt
and U.S. commercial agricultural exports

- Latin America's debt
- U.S. commercial ag exports to Latin America



Contents

World Economic Conditions	2
U.S. Agricultural Trade	6
World Commodity Developments	7
Regional Developments	16
World Trade and Food Policy	26
Special Articles:	
World Output Declines in 1983	27
LDC Debt Situation Improves, But Still Precarious	29

Situation Coordinators

Cecil W. Davison (202) 447-8054

Polly Cochran (202) 447-8054

International Economics Division

Economic Research Service

U.S. Department of Agriculture

Washington, D.C. 20250

Approved by the World Agricultural Outlook Board. The next summary of the **World Agriculture Outlook and Situation** is scheduled for release on May 25, 1984. It will appear on several computer networks by 3:30 ET on the day of release. Full text and tables will also be released electronically, often several days before the report itself is published. For more information on providers of electronic access to Outlook and Situation reports, write EMS/USDA, Rm. 440, GHI, Washington, D.C. 20250. Telephone (202) 382-9754.

The **World Agriculture Outlook and Situation** is published quarterly. Annual subscription: \$9 U.S., \$11.25 foreign. Order from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Make checks payable to the Superintendent of Documents.

Current subscribers will receive renewal notices from the Government Printing Office approximately 90 days before their subscriptions expire. Notices will be sent **ONLY ONCE** and should be returned promptly to ensure uninterrupted service.

Note: Tons are metric, dollars are U.S., and rice is on a milled basis unless specified otherwise.

Summary

World economic growth in 1984 will probably reach 3 percent, rising from 0.3 in 1982 and an estimated 1.9 in 1983. The industrialized countries, which contribute roughly two-thirds of world output, are likely to grow in excess of 3 percent. However, if the United States (which grew at 3.3 percent in 1983 and is forecast at 5 percent in 1984) is excluded, the rate will probably be under 2.5. Within the foreign industrialized countries, Japan and Canada are apt to continue leading the others, while Italy and France will lag behind.

The European Community (EC) is facing a major financial crisis in 1984. Unless revenues can be increased or expenses cut, or both, the EC will likely run out of funds before the end of the year. This could result in the EC's failure to fund critical commodity programs and may require member countries to take financial responsibility for their own commodities.

Growth in the developing world could rebound to nearly 3 percent in 1984 after lagging at under 1 percent in 1982 and 1983. Asia will probably show the strongest, at 4.5 to 5 percent, and Latin America the slowest, at 0.5 percent or less. Slow growth in Latin America will stem from several factors, including policies to reduce debt. In Africa, growth could reach 3.5 percent if demand for petroleum in the rest of the world increases as expected, and if the sub-Saharan economies recover from the 1983 drought.

Economic recovery in the developing countries depends largely on revenues from exports to developed countries. But most of these markets have suffered severe recessions. As output and stocks of commodities, such as coffee and sugar, rise faster than consumption, prices and sales offer little support for export earnings. However, recovery in the developed economies has been underway for about 5 quarters, and this should increase demand for developing country exports.

Total outstanding debt of the non-oil less developed countries (LDC's) more than quadrupled over the past 10 years, and reached an estimated \$660 billion in 1983. This escalation, coupled with rising interest rates, magnified the annual payments of principal and interest nearly fivefold. Furthermore, as the dollar appreciated against LDC currencies, it also raised the cost of servicing these debts. This rising cost drained dollars that otherwise might have been spent on imports of food and feedstuffs, dampening demand for agricultural imports. As some non-oil LDC's neared default, lenders rescheduled many short-term debts to lower the annual debt-service payment.

After a strong performance during the last quarter of 1983 and into January 1984, the U.S. dollar has reached a plateau and may move downward at least temporarily, partly because of increasingly lucrative investment opportunities outside the United States. Any weakening in the dollar will be most noticeable with European currencies, particularly the German mark; the Japanese yen and Canadian dollar should follow suit. Depreciation will be moderated, however, by expectations that U.S. real interest rates will remain high.

Global food grain production was record high in 1983/84, and wheat trade is also approaching a record. U.S. shipments of wheat and rice are considerably below those of the late 1970's and 1980's and will fall again in 1983/84. Wheat exports by the four major U.S. competitors, however, may increase slightly from last year. Foreign coarse grain production may rise 4 percent, but world output will be down about 12 percent, because of the U.S. payment-in-kind (PIK) program and drought-reduced yields. However, U.S. corn exports could rise 1 million tons.

In the oilseed sector, foreign production of soybeans may rise 8 to 9 percent in 1983/84, but world output will fall around 15 percent because of the small U.S. crop. U.S. soybean exports may fall 20 percent from last year, and the U.S. share of world exports of beans and meal will decline to 50 percent, from 57 percent a year earlier. World cotton production in 1983/84 will approximate that of a year earlier, despite a 35-percent fall in U.S. output. Reduced competition and stocks released by the PIK program should temporarily boost the U.S. market share beyond 35 percent. World tobacco production fell 14 percent in 1983, with U.S. output down 29 percent.

WORLD ECONOMIC CONDITIONS

Global Assessment

Overseas Recovery on Slow Track

More than a year after the economic recovery began in December 1982, the U.S. economy is expanding at roughly the same brisk pace as in the first year following the 1975 recession. The major industrialized economies overseas began turning upwards at about the same time, but they are not rebounding as quickly. Furthermore, several economic indicators illustrate that their recovery is slower than that in the 1970's, while other factors suggest it will also be weaker.

Worldwide growth in 1984 will probably reach 3 percent, rising from 0.3 in 1982 and an estimated 1.9 in 1983. The industrialized countries, which contribute roughly two-thirds of world output, are likely to achieve growth of over 3 percent; however, if the United States—whose economy grew at 3.4 percent in 1983 and is forecast to grow 5 percent in 1984—is excluded, the rate will probably be under 2.5. Within the group of foreign industrialized countries, Japan and Canada are apt to continue leading the others, while Italy and France will lag behind.

Growth in the developing world could rebound to nearly 3 percent in 1984, after lagging at under 1 percent in 1982 and 1983. Asia will probably show the strongest growth, at 4.5 to 5 percent, while Latin America may show the slowest, at 0.5 percent or less. Asia's expected growth will be based on exports, much of which will be sold to Japan and the United States. Slow growth in Latin America will result from several factors, including policies to reduce debt. In Africa, growth could reach 3.5 percent if demand for petroleum increases in the rest of the world as expected, and if the sub-Saharan economies recover from the 1983 drought.

Implications for U.S. Agriculture

The acceleration in overseas growth rates will benefit U.S. farm exports. Recovery in the industrialized economies will be accompanied by rising consumption, and in many countries, by a rise in employment. Increases in export earnings in the developing countries will help ease foreign exchange constraints that may increase import demand and lessen import restrictions.

Since 1980, the strengthening dollar has reduced demand for U.S. exports, and if this strengthening continues, it could further weaken foreign demand. Future movements in the dollar are difficult to forecast, but it seems to have plateaued. Although the dollar's rise has cost U.S. exporters in lost markets, it has also brought benefits to U.S. agriculture through lower input prices. The strong dollar has helped keep down the costs of imported fuels, vehicles, and other inputs, and in so doing, has kept down the costs of substitute goods produced in the United States. When U.S. manufacturers of small trucks, for example, set their prices, they must keep an eye on prices of imported trucks. Prices for such imports have increased at a much slower rate since 1980 because the dollar rose in value some 30 percent.

Pace Lags Behind 1970's Recovery

By January 1984, economic recovery had been underway in most major foreign industrialized economies for about a year: The speed of recovery was somewhat slower than the comparable period that began in mid-1975, as measured by industrial production, exports, and imports.

In 1984, accelerated growth is likely, but the pace will still probably be somewhat slower than it was in 1976. Price increases in 1983 were slower than in the earlier recovery and inflation is not apt to accelerate as rapidly either, judging from the current relatively slow increases in wages. The assumption is that monetary policy will be less accommodating to large fiscal deficits than in 1977. Interest rates are, thus, expected to rise in several countries, and real interest rates are likely to remain positive for the fourth consecutive year—in Japan and Germany, the seventh straight year. The continuation of high positive real interest rates is expected to dampen investment demand, and hence dampen overall economic growth.

For the first year of recovery—fourth-quarter 1982 to fourth-quarter 1983—industrial production in Canada, Japan, France, Germany, Italy, and the United Kingdom (U.K.) increased just over 5 percent. But even with this gain, only Japan is producing as many industrial goods as when the recession began. This 5-percent increase was merely half the expansion in the first four quarters of the 1975-76 recovery—10.8 percent. Consumption was roughly the same during the two periods, but production increased faster in the earlier period, as producers built up inventories in apparent expectations of greater future demand. Business expectations were probably higher in the 1970's because the monetary stimulus was relatively greater.

Countries typically import goods at faster rates during recoveries than in other times. Yet, import growth did not accelerate substantially during 1983. In fact, import volumes of each of the major overseas industrialized countries declined in at least one of the first three quarters of 1983—the most recent data yet available. Imports by Japan, France, and Germany declined in two of the three quarters, while in France, imports declined 15 percent in the third quarter alone, as import-restricting policies took effect. The growth of imports in Canada and the United States was strong in 1983, reflecting strength in their domestic economies and highly valued currencies. Import growth during 1975-76 was much stronger. Import growth was higher, on average, for all countries, including the United States. No countries reduced imports in more than one quarter.

Export growth was similarly weak for the first three quarters of this recovery. Increased exports from several countries to the United States were largely offset by declining exports to other countries, especially to France. France's import decline of 17 percent over the second and third quarters mostly affected Germany, which sells 13 percent of its exports to France.

Conversely, during the 1975-76 recovery, only Germany and the United States had a quarter in which export volumes declined. Import demand around the world picked up sharply and remained strong after the 1975 recession. In 1983, however, import demand was weak in

the developing as well as in the industrialized countries. This downturn in exports to oil-exporting and oil-importing developing countries aggravated the reduction in total exports of the industrialized countries.

The fiscal and monetary policies likely to be in place through 1984 suggest that the recovery will continue to progress, but at a subpar rate. Fiscal policies in the overseas industrialized countries will tend to be restrictive, while those in the United States may be expansionary. Monetary policies may be slightly more restrictive in 1984 than in 1983. Interest rates in the overseas industrialized countries, as in the United States, are likely to remain steady or to rise, rather than to decline. An acceleration in economic activity will increase demand for funds, which will force interest rates upwards for a given supply of money. A mild increase in inflation, which is considered likely for most countries, could nudge interest rates up even further. Rising U.S. interest rates could force officials overseas to raise rates if the U.S. rise weakens foreign currencies against the dollar.

In 1984, a more restrictive fiscal position overseas will restrain economic activity through the operation of two major instruments: expenditures and taxation. Slow growth in governmental expenditures simply means that governments will stimulate economies relatively slowly. Therefore, such items as governmental expenditures, consumption, and investment will likely increase slower in 1984 than otherwise, and a bit more slowly in 1985, given smaller lagged effects. An increase in the rate of taxation on businesses means that profits will be lower. A reduction in after-tax returns will likely lower the growth in the rate of overseas investment, especially in the face of continuing high interest rates, relatively weak consumption, and low-capacity use. In its December Economic Outlook, the Organization for Economic Cooperation and Development forecast that investment growth for Japan, Canada, France, Germany, and the U.K. will average around 3.5 percent in 1984, as in 1983—the rate for Europe would be somewhat lower because of expected disinvestment in France.

The effects of this outlook and the current situation in developing countries are potentially severe. Foreign exchange shortages already plague many developing countries, and the likelihood that foreign exchange earnings will increase slowly suggests that more countries will be affected. The foreign exchange earnings of developing, as well as developed, countries are determined by the volume of exports and by the prices received for their export goods.

World export volume declined in 1982 and probably again in 1983. Volume is generally expected to pick up 4 to 6 percent this year which will improve the economic prospects for many countries. Still, this increase is substantially below the 12-percent recovery rate following the previous recession. Furthermore, growth of world trade may not accelerate much beyond 3 to 5 percent over the next several years, considering the low projected rates of investment in the overseas industrialized economies.

The key export prices for most developing countries are for raw commodities. After declining some 27 percent between 1980 and the end of 1982, international commodity prices rose 15 percent during 1983. Prices

increased fastest for food, agricultural raw materials, beverages, and metals, in that order. This 15-percent increase in 1983, however, was only about half the rate during the earlier recovery. Furthermore, the rise of commodity prices then was sustained for less than 2 years. If a similar pattern develops in this recovery, prices might be expected to begin declining in the third quarter of this year. [Art Morey (202) 447-8470]

Fertilizer

International Prices Rise

World demand for chemical fertilizers will strengthen this year, after 2 years of declining prices and stagnant consumption. This turnaround reflects strong farm demand—except possibly in some developing countries unable to finance imports—and ample supplies at moderately higher prices. International prices for nitrogenous and phosphatic fertilizers have already increased markedly since last July. Further strengthening is probable, and price increases should be sustained until the outlook for this year's spring crop planting is clarified. However, increases in international fertilizer prices comparable with those of 1974/75 are not likely, mainly because worldwide capacity to produce ammonia and phosphoric fertilizers comfortably exceeds expected consumption.

Global consumption of all fertilizer declined nearly 1 percent during 1981/82, after having slowed from nearly 8-percent growth in 1978/79, to slightly under 4 percent during both 1979/80 and 1980/81. Estimates for worldwide use for the year ending June 30, 1983, will be published by the Food and Agriculture Organization of the United Nations (FAO) in March. Use probably declined slightly, mainly because the 13-percent drop in U.S. consumption was not offset by gains in other grain-exporting regions. These slowdowns in demand since 1979 were in sharp contrast with earlier trends during the mid-1970's, when yearly increases in consumption during 1975/76-1978/79 exceeded 7 percent. Marked declines in use in 1981/82 took place in the Western Hemisphere, while consumption continued to increase in Eastern Europe and USSR and in food-importing developing economy regions. Export prices for major fertilizer materials declined 20 to 40 percent from mid-1981 to mid-1983, paralleling the drop of nearly 30 percent in international prices for food commodities.

International food commodity prices rose more than 26 percent last year, and further strengthening is likely during 1984. In response to these developments and to acreage expansions in the United States and other grain-exporting regions, international prices recently were 40 percent higher than a year ago for anhydrous ammonia, and 5 to 10 percent higher for phosphoric acid and potash. Worldwide production capacity for phosphatic and nitrogen fertilizers was projected to increase 2.5 to 4.1 percent yearly by 1985/86, or slightly faster than demand, according to FAO/UNIDO/World Bank Working Group on Fertilizers in June 1983. Unless demand after 1984 accelerates to growth rates approaching those attained before 1980, or planned net expansions in manufacturing capacity are not realized, international fertilizer prices during the mid-1980's probably will follow international grain price trends rather closely. [Richard C. Taylor (202) 447-8926]

Exchange Rates

U.S. Dollar Shows Signs of Weakening

The U.S. dollar, after a strong performance during the last quarter of 1983 that extended into January 1984, is at a plateau that portends at least a short-term movement down. The most prominent reasons point to increasingly lucrative investment opportunities outside the United States. Any weakening in the dollar will be most noticeable relative to European currencies, particularly the German mark; the Japanese yen and Canadian dollar should follow suit. Depreciation will be moderated, however, by expectations that U.S. real interest rates will remain high.

Wall Street Shows the Way Down

The lackluster performance of major U.S. stock exchanges during January has given many foreign investors pause to consider alternatives to dollar-denominated investment. Both the Tokyo and Frankfurt stock markets seem more rewarding; each set records early in 1984. Increases in the demand for German or Japanese stocks would tend to raise the value of those currencies. Although indications are mixed, investors are choosing Japanese or German stock exchanges for new acquisitions rather than switching from U.S. possessions.

The psychological impact of the decline in U.S. stock prices has had a far more tangible effect on the foreign exchange value of the dollar than have any portfolio changes. First, many view the drop in stock market averages as a precursor to a sharp decline in real GNP growth sometime in 1984. Second, the decline occurred during a period when stocks usually rally, the start of a calendar year, and has many foreign observers and investors wary. Third, the sudden fall in stock prices implies that lower rates of return are expected. Higher rates of return available on dollar-denominated assets tend to raise the dollar's value. These three factors have created a general feeling in currency markets that the dollar cannot go anywhere but down.

The indifferent reaction of foreign currency markets to continued positive economic news in the United States is the most persuasive evidence of dollar malaise. Strong economic growth in the fourth quarter of 1983, reports on lowered inflation in 1983, and a smaller-than-expected trade deficit in December failed to rouse any enthusiasm for the dollar.

Interest Rates Underpin Dollar

Expectations persist that real interest rates will remain higher in the United States than elsewhere, preventing any sustained or sharp decline in the dollar's value. Conflict in the Middle East also bolsters the dollar by increasing uncertainty. U.S. currency is a haven for those wishing to maintain liquidity; the interest rates available make dollars much more desirable than gold. Only very weak currencies, such as the British pound, will likely show declines against the dollar for all of 1984.

In January, the dollar rose sharply against the German mark, although the interest-rate advantage accorded

Foreign currency units per U.S. dollar

Year	Mark	Yen	Pound	Guilder	C. Dollar
1979	1.833	219.2	.4713	2.006	1.171
1980	1.818	226.4	.4299	1.987	1.169
1981	2.257	220.2	.4983	2.492	1.198
1982	2.427	248.8	.5722	2.669	1.233
1983					
Jan.	2.389	232.5	.6341	2.628	1.228
Feb.	2.428	236.1	.6525	2.676	1.227
Mar.	2.408	238.0	.6706	2.681	1.226
Apr.	2.439	237.6	.6505	2.747	1.232
May	2.465	234.7	.6358	2.772	1.228
June	2.548	240.0	.6456	2.854	1.232
July	2.590	240.4	.6539	2.886	1.233
Aug.	2.673	244.4	.6654	2.990	1.233
Sept.	2.670	242.9	.6669	2.986	1.232
Oct.	2.601	232.3	.6675	2.918	1.232
Nov.	2.682	234.9	.6765	3.006	1.237
Dec.	2.749	234.3	.6971	3.084	1.247
1984					
Jan.	2.810	233.7	.7102	3.158	1.248
Feb. ¹	2.71	233.6	.6900	3.07	1.245

¹Preliminary.

dollar-denominated instruments remained steady. This should hold the dollar at the 2.71- to 2.75-mark level in the first quarter, with a gradual and bumpy slide to 2.60 to 2.65 marks by midsummer.

A rise in U.K. interest rates and the perceived stability of near-term petroleum prices are prompting an upswing in the British pound. North Sea oil sales are a major source of foreign exchange for Great Britain. Therefore oil prices heavily influence the international value of sterling. The expanding economic recovery in the West is thought to provide greater stability to petroleum earnings, and to the British pound. Some weakening through 1984 may be expected, especially relative to other European currencies. Midsummer values for the pound should be at or near \$1.38.

The Japanese yen and the Canadian dollar were the two most stable currencies, vis-a-vis the U.S. dollar, in 1983. This trend should continue into 1984, although it seems unlikely that the same degree of modulation can be maintained, especially in the yen/dollar rate. The balance between the U.S. trade deficit and the corresponding capital surplus is showing signs of tilt toward the former. Some appreciation in the yen is expected this year, with midsummer values below 230 per dollar and end-of-year estimates at 225. There should be few, if any, dramatic moves in the yen/dollar exchange rate during 1984. The U.S. dollar will probably remain between \$1.20 to \$1.25 Canadian throughout 1984. Interest rates, economic growth, and inflation are considered roughly equal in the two countries, providing no incentive to switch assets from one currency to another. [David Stalings (202) 447-8054]

Agricultural Commodity Prices

Price forecasts for U.S. grains and oilseeds in 1983/84 have been lowered in recent months, with corn and soybean prices lagging most. Developments keeping prices below earlier forecasts include weaker-than-expected demand in domestic and export markets, and larger-than-anticipated crop supplies in the United States and abroad. Even so, yearly average prices for corn and soy-

beans will be records, topping the marks of a few years ago when supplies were also short.

Wheat Prices Unchanged

In 1983/84 wheat prices are expected to be about unchanged from last year. The price-boosting impact of lower ending stocks expected for 1983/84 is offset by prospects for another large wheat crop and by a lower loan rate for next year's crop. Pricing patterns were different this year from last. Throughout 1982/83 prices rose, reaching a yearend peak in anticipation of a smaller crop. This year, prices peaked in the summer, fell during the autumn to below this year's loan rate of \$134 a ton (\$3.65 a bushel), and are approaching the \$121-a-ton loan rate (\$3.30 a bushel) for next year. Last year's farm and export prices averaged \$130 (\$3.93) and \$160 (\$4.35) a ton, respectively, and forecasts for 1983/84 are about the same.

Corn Prices To Hit Record

In the fall, USDA forecast the average farm price for 1983/84 between \$138 and \$142 a ton (\$3.50-\$3.70 a bushel), but it has been lowered to \$126-\$131 (\$3.20-\$3.40) in response to recently declining prices. Since the high of \$132 a ton (\$3.35 a bushel) in August, prices have fallen more than \$10 (26 cents a bushel). The extent of the price decline caught many by surprise, but in retrospect the earlier forecast was overly optimistic. Some market developments adding to recent price weakness include increased wheat feeding and the continual strength of the dollar, which has limited foreign demand. Nonetheless, average corn prices in 1983/84 are forecast at a record \$126 to \$134 because of the extremely short supplies. To reach the forecast, corn prices will have to

rise from the current level to over \$130 a ton (\$3.35 a bushel) sometime this year, but likely will not reach the September 1975 record of \$136 (\$3.45).

1983/84 Soybean Prices Also a Record

Although soybean farm prices in 1983/84 are expected to average between \$275 and \$300 a ton (\$7.50-\$8.20 a bushel), last September they were forecast to average between \$312 and \$349 (\$8.50-\$9.50). Again, an overly optimistic forecast was lowered. Market developments, such as increases in the size of the U.S. crop, prospects for larger Southern Hemisphere exports, and a weakened foreign import demand also played a role. Price prospects for soybean meal and oil have mirrored that for soybeans. U.S. soybean prices still have to increase during the year to reach the forecast, emphasizing the likelihood of price rationing later in the year.

Domestic Uses React to Prices

Relatively low domestic wheat prices and high corn and soybean prices will cause wheat feeding to be a post-WWII record and will reduce the domestic use of corn and soybeans. The record wheat feeding has been significant in moderating corn and sorghum feed demand and price prospects. Evidence also exists that other feed grains are being substituted for corn to a greater extent than anticipated. Wheat is also higher in protein than corn, and this has reduced the need for protein supplements in feeds and helped cut soybean meal demand.

Foreign Use and U.S. Exports Affected

Movements in U.S. export prices are responsible for many changes in foreign use. At the export terminal,

International commodity prices

Year	Wheat				Corn		Soybeans	Soyoil		Soymeal 44%	
	U.S. No. 2 ¹	Argentina ²	Canada No. 1 ³	Australia ¹	U.S. No. 2 yellow ⁵	Argentina ²	U.S. No. 3 yellow ⁵	Decatur	Dutch ⁶	Decatur	Hamburg ⁶
Dollars per ton											
1975	149	147	181	167	122	126	210	559	563	141	162
1976	134	128	149	147	115	114	223	414	438	179	203
1977	105	100	116	113	98	93	271	524	579	212	240
1978	131	126	134	119	105	102	259	565	607	189	226
1979	162	159	171	142	118	117	278	610	662	160	254
1980	176	203	192	175	129	159	272	522	598	217	271
1981	176	190	194	175	135	139	272	464	507	223	269
1982	161	166	165	160	110	109	233	404	447	197	233
1983	158	138	167	161	137	133	269	518	524	222	255
Jan.	166	148	167	167	109	104	225	364	397	199	239
Feb.	165	143	167	166	118	114	227	381	395	194	232
Mar.	167	141	170	169	124	123	228	391	374	197	228
Apr.	168	134	170	171	134	132	242	427	434	206	233
May	163	125	167	165	135	125	238	437	434	203	231
June	151	128	164	163	136	122	233	435	425	194	222
July	148	138	163	157	141	131	251	476	477	211	236
Aug.	154	142	169	159	155	146	305	663	651	259	294
Sept.	157	152	170	159	151	147	333	756	736	257	298
Oct.	154	139	169	155	149	148	320	672	685	251	289
Nov.	153	133	164	152	149	152	317	615	634	248	281
Dec.	153	128	159	152	144	151	304	603	644	240	271
1984											
Jan.	153	129	160	153	144	138	292	623	692	222	255

¹Hard winter ordinary protein, f.o.b. Gulf ports. ²F.o.b. Buenos Aires. ³Western red spring 13.5% protein, in store Thunder Bay. ⁴July-June crop year, standard white, f.o.b. selling price. ⁵F.o.b. Gulf ports. ⁶F.o.b. ex-mill.

the price premium of wheat over corn is expected to average about half that of last year. The soybean price premium over corn will be sharply increased about 40 percent. Increased use of wheat abroad is anticipated this year because of its attractive price. In the EC, for example, wheat feeding will increase about one-third. Soybean and soybean meal imports into the EC will fall precipitously because of high prices. Some countries, such as South Korea and Spain, may import feed wheat rather than coarse grains. [Bradley Karmen (202) 447-8879]

U.S. AGRICULTURAL TRADE

Exports Slip \$500 Million

U.S. agricultural exports fell 1 percent to \$36.1 billion in calendar 1983, a year marked by signs of worldwide economic recovery. Over the past 2 years, global import demand for and export supply of agricultural products, particularly U.S. products, have undergone substantial adjustments. Since 1981, when U.S. export values peaked at \$43.3 billion, export quantity has fallen 10 percent, reflecting adjustments by importing countries. Meanwhile, prices have averaged about 8 percent lower. Export revenue in 1983 was only slightly lower than the previous year as a result of the surge in export prices during the last 4 months. The volume of agricultural exports, however, fell 5 percent to 144.1 million tons—mainly because of reduced shipments in the first 8 months.

Japan Continues as Largest Market

Japan was the largest U.S. market for U.S. farm products for the 21st consecutive year, taking \$6.25 billion or 17 percent of U.S. shipments. Japan has less available farmland than that in Missouri and must feed a population half as large as all the States. Nonetheless, Japan's

U.S. agricultural export values¹

Commodity	1980	1981	1982	1983
<i>Billion dollars</i>				
Grains and preparations	18.0	19.4	15.6	16.2
Wheat	6.4	7.8	6.7	6.2
Wheat flour	.2	.2	.2	.3
Feed grains	9.8	9.4	6.4	7.2
Rice	1.3	1.5	1.0	.9
Oilseeds and products	9.4	9.6	9.1	8.7
Soybeans	5.9	6.2	6.2	5.9
Soybean cake and meal	1.7	1.6	1.4	1.5
Soybean oil	.7	.5	.5	.4
Animals and products	3.8	4.2	3.9	3.8
Hides and skins	1.0	1.0	1.0	1.0
Red meats, incl. offals	.9	1.0	1.0	.9
Animal fats	.8	.8	.7	.6
Poultry products	.6	.8	.5	.4
Dairy products	.2	.3	.3	.4
Fruits, vegetables, and nuts	3.3	3.6	2.9	2.6
Cotton, incl. lint	2.9	2.3	2.0	1.8
Tobacco	1.3	1.5	1.5	1.5
Feeds and fodders	1.1	1.0	1.0	1.2
Other	1.4	1.7	.6	.3
Total	41.2	43.3	36.6	36.1

¹Calendar year.

U.S. agricultural export volumes¹

Commodity	1980	1981	1982	1983
<i>Million tons</i>				
Wheat	35.7	43.9	40.8	38.4
Wheat flour	.8	.9	.8	1.7
Feed grains	72.6	64.9	56.2	54.3
Rice	3.1	3.2	2.6	2.4
Feeds and fodders	6.4	5.9	6.1	7.3
Soybeans	21.8	21.8	25.5	22.7
Soybean cake and meal	7.1	6.3	6.2	6.5
Other oilcake and meal	.4	.4	.2	.2
Soybean oil	1.1	.8	.9	.8
Other vegetable oils	.7	.8	.7	.7
Sunflowerseed	1.5	1.7	1.5	.8
Cotton, including lint	1.9	1.3	1.4	1.3
Tobacco	.3	.3	.3	.2
Fruits, vegetables, & nuts	4.1	4.4	4.0	3.7
Beef, pork, & variety meats	.4	.4	.4	.4
Poultry meat	.3	.4	.3	.2
Animal fats	1.6	1.6	1.5	1.4
Other	3.1	3.4	2.8	1.1
Total	162.9	162.4	152.2	144.1

¹Calendar years. Excludes animal numbers and some commodities reported in cases, pieces, dozens, liquid measures, etc.

extensive purchases from the United States still account for only one-third of Japanese food and fiber imports. Most U.S. sales to Japan consist of feedstuffs for live-stock and poultry industries, but a variety of other farm products are also purchased.

Outlook for 1984

The outlook for 1984 is dominated by continued improvement in economic growth and short U.S. supplies of feed commodities, particularly corn and soybeans. Average export prices may rise as much as 10 to 15 percent, but high prices may result in a decline in export volume for some items.

Approximately 35 to 40 percent of U.S. agricultural exports is used for animal feed. Soybeans, soybean meal, feed grains, corn gluten feed, alfalfa, beet pulp, and citrus pulp are among the most commonly used feedstuffs exported from the United States. In 1983, the value of these products reached \$15.6 billion or 43 percent of exports. While other protein meals, grain, grain byproducts, and tallow are used in animal feeds, they also have some nonfeed uses.

Feed Grain Exports Decline in 1983

Feed grains are the largest export, with 54.4 million tons valued at \$7.3 billion shipped in 1983. An estimated 75 percent was for use as animal feed. East Asia (Japan, Korea, Taiwan, and China) and Mexico were the primary foreign markets for U.S. corn in 1983, with Western Europe and South Africa late in the year taking larger amounts than in the first 9 months. U.S. corn exports reached 63 million tons in 1980, before dropping below 50 million in 1982, mainly from reduced demand in Europe and the Soviet Union.

Soybeans and soybean meal exports, 29.2 million tons valued at \$7.4 billion, provided meal used for animal feed. Soybean shipments fell 11 percent, more than offsetting a 4-percent increase in soybean meal exports. Another product of the crushing process (of U.S. soy-

beans exported) was 4.5 million tons of soybean oil, used primarily in cooking. Corn gluten feed exports were a record 3.8 million tons in 1983, of which 98 percent went to the EC. The EC does not assess import levies on corn gluten feed.

Food Grain Exports Down

Wheat, rice, fruits, vegetables, and meats are among the U.S. agricultural exports used directly for food. This category accounts for nearly half of all U.S. farm exports. In 1983, wheat exports fell 6 percent to 38.5 million tons. The top six markets—the USSR, India, Japan, Brazil, China, and Egypt—accounted for half. Rice exports also fell 6 percent to 2.4 million tons. The U.S. share in the world rice market fell to 19 percent in 1983 from a high of 24 percent in 1981, mainly because of aggressive selling by Thailand.

The revenue from exports of fruits, nuts, vegetables, and meats fell 8 percent to \$3.5 billion in 1983. Markets for these products are more heterogeneous than for wheat and rice, and depend on quality and price. Relatively small amounts of any single commodity are exported, but at substantially higher prices. For example, only 87,000 tons of fresh or frozen beef and veal were exported in 1983, but at \$4,264 a ton.

The United States continues to lose market shares in the world poultry market. Exports of 241,000 tons in 1983 were 41 percent below the 1981 peak of 395,000. In addition to poultry (primarily chickens), noncitrus fruits and dried beans experienced significant declines in 1983. The dried bean market, mostly Mexico since 1980, virtually disappeared when that country promoted various import substitution measures.

Industrial Raw Materials Exports

Industrial use consists mainly of cotton, tobacco, and cattle hides, and accounts for the remaining 10 to 15 percent of U.S. exports (compared with nearly 60 percent in the 1940's). Cotton exports were seasonally heavy in the last 4 months of 1983, reflecting firm demand and limited export supplies from some major U.S. competitors. U.S. cotton production in 1983 was cut back a third from the previous year because of the drought and the PIK program.

Tobacco exports fell for the third straight year in 1983. Flue-cured and burley tobaccos are the dominant types exported by the United States and both have lost considerable market shares over the last 25 to 30 years. The United States held a 60-percent share of the world market in both tobaccos in the mid-1950's. By 1983, these shares had fallen below one-fourth.

Demand for U.S. cattle hides was sufficient to provide a 13-percent unit-value increase in 1983, despite a 7-percent drop in volume exported. *[Steve Milmoie (202) 447-8054]*

WORLD COMMODITY DEVELOPMENTS

Food Grains

Record food grain crops were harvested in 1983/84. This will put global wheat ending stocks at a 3-year high.

Rice stocks, however, will likely fall for the fifth consecutive year because expanded use continues to outpace supplies. Although world wheat trade is approaching a record, rice trade may fall to its lowest in 6 years. For both grains, U.S. export volumes are considerably below those of the late 1970's and early 1980's.

Record Rice Production; Smaller Stocks

Expanding rice area and yields pushed global 1983/84 rice production to a new high. Consumption will also be a record and may outpace even this high production. Stocks, therefore, are expected to be smaller. Asia accounts for about 90 percent of world production and use, and holds about 85 percent of the world stocks. Asian stocks (excluding China) dropped 50 percent from their 24-million-ton peak in 1979. This decline, however, comes primarily from two countries: Japan because of successful surplus reduction, and India because of increased demand and several poor crops. Rice is grown throughout the year in many countries, limiting the need to stockpile. Furthermore, because rice is a relatively expensive grain, trade is small, only 5 percent of use, eliminating the need for stocks outside of the consuming countries.

Since 1979, world rice exports have been around 12 million tons (within a million on either side). For the past 10 years, the U.S. share of the export market was over 20 percent, but it has fallen to around 18 percent for 1983 and 1984. Some of this share has gone to Thailand and Pakistan, where record crops have reduced prices in both countries. With U.S. prices supported by the loan rate, U.S. rice has become less competitive. Further price declines in Pakistan and Thailand and high U.S. prices could maintain the large gap between foreign and U.S. prices into 1984.

Wheat Remains Oversupplied

Global use will fall short of production again, pushing world stocks higher for the third consecutive year. Stock increases will be contained to only a few countries, most notably the USSR and Australia. Because of record global wheat production and stagnant trade, world wheat prices continue to decline, a scenario essentially repeated over the last few years.

The net change in global production was highlighted by six major producers—Australia, China, India, the United States, the USSR, and Argentina. Excluding these countries, production changes netted about zero. Australia posted the most noteworthy increase over last year: 140 percent, recovering from the smallest crop in 10 years to the largest crop ever. Although this crop will produce a record exportable supply, Australia faces marketing problems because one-fourth of the crop is weather damaged and of poor quality.

China also substantially increased output, hitting a record for the second year. India's crop is about 13 percent larger than last year because of both record area and yield. Production fell the sharpest in the United States because of acreage-reduction programs, and in the USSR because of weather-related problems. Argentina's output fell about 20 percent from last year's record output, but is still its second largest.

Rice: World production, consumption, and net exports¹

Country	1981/82			1982/83			1983/84 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million tons</i>									
Major exporters									
United States	6.0	2.2	2.5	4.9	2.1	2.3	3.2	2.2	2.1
Thailand	11.7	7.9	3.6	11.2	8.0	3.7	11.9	8.2	3.7
Pakistan	3.4	2.3	.8	3.4	2.1	1.3	3.5	2.4	1.3
China	100.8	100.6	.2	112.9	112.4	.5	112.7	112.3	.5
India	53.2	54.1	.6	46.5	48.4	-.2	56.5	55.1	-.3
Burma	8.5	7.8	.7	9.0	8.2	.9	8.7	7.9	.8
Japan	9.3	10.6	.3	9.3	10.7	.3	9.4	9.8	.2
Italy	.6	.3	.3	.7	.3	.4	.7	.3	.4
Australia	.6	.1	.5	.4	.1	.4	.6	.1	.5
Major importers									
Indonesia	22.3	22.3	-.3	23.2	24.0	-1.2	23.3	24.6	-.8
South Korea	5.1	5.5	-.2	5.2	5.2	-.2	5.1	5.4	-.3
Bangladesh	13.6	14.1	-.4	14.4	14.7	-.1	15.0	15.1	-.1
Vietnam	8.2	8.3	-.1	9.0	8.8	-.1	9.1	8.9	+.2
Other Asia	17.3	17.7	-.7	16.8	17.4	-.3	17.0	17.7	-.7
USSR	1.6	2.3	-.8	1.6	1.9	-.4	1.6	2.0	-.4
Brazil	6.2	6.4	-.1	5.3	6.2	-.4	6.1	6.3	-.2
Other Latin Am.	4.8	4.5	+.1	4.8	4.8	-.1	4.2	4.8	-.1
Iran	1.0	1.5	-.5	.9	1.5	-.7	.9	1.6	-.7
Other N. Africa/ Mideast	1.9	3.4	-1.6	2.0	3.6	-1.8	2.0	3.7	-1.7
Malagasy	1.3	1.6	-.4	1.3	1.5	-.3	1.5	1.7	-.2
Nigeria	.7	1.4	-.7	.9	1.6	-.7	.9	1.6	-.7
Other Africa	1.7	3.5	-1.9	1.8	3.6	-2.0	1.7	3.7	-1.9
Residual	.7	3.1	-1.9	.5	3.2	-1.3	.5	1.6	-1.6
World	280.5	281.5		286.0	290.3		296.1	297.0	

¹Trade on calendar years; calendar 1982 corresponds to 1981/82. ²Forecast.

Wheat: World production, consumption, and net exports¹

Country	1981/82			1982/83			1983/84 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million tons</i>									
Major exporters									
United States	76.2	23.3	48.7	76.5	25.4	39.7	66.0	32.1	38.0
Canada	24.8	5.2	17.6	26.8	5.1	21.2	26.9	5.1	21.5
Australia	16.4	3.9	11.0	8.9	4.1	8.1	21.4	3.3	11.0
EC-10	54.4	44.6	12.2	59.8	44.4	11.1	59.3	50.0	10.5
Argentina	8.3	4.3	4.3	14.5	4.4	7.4	11.7	4.5	8.3
Turkey	13.2	13.4	-.4	13.8	13.9	.5	13.0	14.0	.3
Major importers									
USSR	80.0	102.0	-19.0	86.0	105.7	-19.7	80.0	94.5	-19.5
China	59.6	72.8	-13.2	68.4	81.4	-13.0	80.0	91.0	-11.0
Eastern Europe	30.6	35.5	-4.4	34.8	36.8	-2.0	34.4	35.9	-2.1
Other W. Europe	6.5	8.7	-1.3	8.5	9.2	+.3	8.5	9.5	-.7
Brazil	2.2	6.3	-4.5	1.8	6.3	-3.6	2.0	6.1	-4.4
Mexico	3.1	4.0	-.9	4.2	4.1	-.1	3.2	4.2	-.9
Other Latin Am.	1.5	8.2	-6.5	1.3	7.6	-6.5	1.1	8.3	-6.9
Japan	.6	6.1	-5.4	.7	6.1	-5.5	.7	6.1	-5.3
India	36.3	36.3	-2.3	37.5	37.7	-.3	42.5	41.9	-.3
South Korea	.1	2.0	-1.9	.1	2.0	-1.9	.1	2.3	-2.3
Indonesia	0	1.4	-1.5	0	1.5	-1.5	0	1.7	-1.6
Other Asia	16.8	22.3	-6.0	17.1	23.4	-6.3	18.2	24.2	-6.3
Egypt	1.9	7.7	-5.8	2.0	7.9	-6.0	2.0	8.2	-6.3
Morocco	.9	3.1	-2.2	2.2	3.8	-1.3	2.0	4.2	-2.3
Other N. Africa/ Mideast	13.4	23.2	-9.9	12.2	23.5	-10.5	12.5	24.1	-11.8
Other Africa	3.3	6.7	-3.9	3.4	6.7	-3.6	2.7	6.9	-3.9
Residual	.3	4.5	-4.7	.4	8.8	-3.3	.5	2.6	-1.3
World	450.4	445.5		480.9	469.8		488.7	480.7	

¹Trade on July-June years. ²Forecast.

Export Competition Keen

An increase in exportable supplies by most of the major exporters contrasts with little or no increase expected for imports in 1983/84. This depressed world wheat prices for the third year, and could keep prices low again in 1984. Wheat stocks will likely fall in the United States and the EC where favorable wheat prices relative to feed grain prices caused an increase in domestic feeding of wheat. Stocks in Canada and Argentina will be about unchanged, but in Australia might nearly triple to about 7 million tons from a combination of small opening stocks and record production.

Exports by the four major U.S. competitors are expected to increase slightly from last year. U.S. exports are anticipated to fall for the second year in a row. Increasingly, the international trade arena for wheat is influenced by exporting countries' use of aggressive marketing techniques to reduce stocks. These techniques include discounting prices and offering favorable credit arrangements, among others. *[Bradley Karmen (202) 447-8879]*

Coarse Grains

Global estimates of coarse grain supply and use in 1983/84 are marked by the dramatic impact of PIK and drought-reduced corn yields in the United States. World coarse grain production in 1983/84 is forecast to decline about 12 percent from a year earlier. However, foreign production is estimated to increase about 4 percent, with increases in the major importing and major foreign exporting countries as well. Global use estimates for the year are up slightly from 1982/83, while foreign use is estimated to be increasing about 3 percent, at least partially because of higher production estimates and large carryin stocks. Foreign ending stocks are expected to decrease slightly as anticipated increases in production are almost offset by increases in consumption. U.S. coarse grain ending stocks are forecast to fall to their lowest since 1975/76 after reaching a record only a year ago. World and foreign coarse grain exports are expected to increase in 1983/84, but will remain substantially behind the record set in 1980/81. This is the result of expected increased production and high coarse grain prices.

World Production Reduced Sharply

Production in 1983/84, at 687 million tons, is down 96 million from a year ago. Not since 1975/76 has production been so low. This dramatic decrease is the result of the 1983 PIK program (which reduced the corn area) and U.S. drought. However, foreign production of coarse grain, at a record of nearly 550 million tons, is about 20 million larger in 1983/84 than the previous year. Foreign production this year was bolstered by a USSR coarse grain harvest of 108 million tons—the largest since 1976/77—and by record Australian production on the heels of the drought-ravaged 1982/83 year.

Among the major importers, 1983/84 coarse grain production is forecast at over 258 million tons—a modest improvement over the previous year, but 15 percent above 1981/82, when Soviet production was only 72 million. Within the major foreign exporters, Canadian coarse

grain production is down about 5 million tons from the average of the last 2 years, while South Africa is headed for another drought-reduced crop. The situation in South Africa is so severe that the country will import coarse grains for the second consecutive year. This contrasts sharply with the late 1970's and early 1980's when South Africa's net exports of coarse grains were as high as 4.5 million tons.

Supplies Down; Use Up

World coarse grain supplies (including beginning stocks) in 1983/84, at 923 million tons, are down almost 8 percent from a year earlier. Again, the decline in U.S. production was the driving force. In 1983/84, a decrease in beginning stocks from a year earlier and estimated declines of almost 7 percent in foreign imports have been more than offset by foreign production gains. Foreign supplies rose 12 million tons, to over 686 million, after declining 9 million the previous year. Beginning stocks for both the major foreign exporters and importers were slightly above the previous year. Increases in foreign stocks are not likely because of substantial increases in the use of coarse grains this year.

Foreign use is forecast to top 600 million tons in the year for the first time, largely because of record coarse grain use in the Soviet Union. World use, at 762 million tons, is up slightly from a year earlier, but is still about 3 percent above 1981/82. Coarse grain feeding in the major importers is estimated at a record 231 million tons this year, an increase of 8 million—mostly in the Soviet Union. Feed use in the major foreign exporter nations in 1983/84 remains about 1.5 million tons below a year earlier, but is about equal to that of 1981/82.

U.S. Exports Fall

Growth of world coarse grain import demand, in addition to being constrained by increased production among major importer nations, is being depressed by record high prices in the first half of 1983/84. Also, during the year, coarse grain prices had risen faster than wheat, making corn sales less attractive than they might be otherwise.

Of the major foreign coarse grain exporters competing for the estimated 89 million tons of world coarse grain trade (not including intra-EC trade), Australia appears headed for a record production year of over 9 million tons, Argentine coarse grain production of over 19 million is forecast to be the second largest ever, while Thai production at over 4 million tons is about 0.5 million higher than its average during 1979/80-1982/83. However, South African production this year is substantially below average, and this traditional net exporter of coarse grains will likely import grain again this year. Thus, U.S. sales will benefit from reduced competitor supplies, but are forecast to fall in 1983/84 to 38 million tons, down about 4 million from the previous year.

Coarse grain imports are being suppressed by the large Soviet coarse grain crop, which in turn has reduced Soviet import demand to only 10 million tons in 1983/84. While this represents only a 1-million-ton decrease from last year, it suggests that Soviet coarse grain purchases from countries that have signed long-term grain trade agreements with the USSR will be at or near minimum levels in 1983/84. These countries include Canada,

Coarse grains: World production, consumption, and net exports¹

Country	1981/82			1982/83			1983/84 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million tons</i>									
Major exporters									
United States	249.0	156.8	58.1	254.6	171.2	53.5	138.0	156.8	54.4
Canada	26.0	18.3	6.3	26.7	19.4	6.3	21.3	18.5	6.2
Australia	6.6	4.0	3.3	3.7	3.2	.8	9.3	2.7	4.0
Argentina	18.4	6.6	10.2	18.1	6.9	11.7	19.1	6.9	12.7
Thailand	4.7	1.1	3.5	3.8	1.3	2.4	4.3	1.1	3.2
South Africa	8.8	8.2	4.6	4.3	7.8	1.5	7.0	7.7	-2.7
Major importers									
USSR	72.0	98.5	-20.4	86.0	98.3	-11.0	108.0	116.0	-10.0
China	80.8	82.1	-1.4	86.0	88.7	-2.6	90.0	90.5	-.5
Eastern Europ	64.5	69.6	-4.0	71.8	71.9	-1.8	65.1	66.2	-1.7
EC-10	67.8	73.9	-5.9	71.7	72.1	-1.9	63.4	69.6	-4.8
Other W. Europe	20.0	31.9	-11.6	21.9	32.7	-8.7	21.8	30.6	-9.1
Brazil	23.4	22.6	-.6	19.9	21.3	+.3	22.0	22.0	-.6
Mexico	16.9	21.0	-1.6	10.2	19.0	-7.4	14.4	18.9	-5.6
Venezuela	.8	2.7	-1.7	.8	2.1	-1.3	.6	2.6	-1.6
Other Latin Am.	7.9	10.4	-2.2	7.6	10.2	-2.2	7.7	10.3	-2.6
Japan	.4	19.3	-17.9	.4	18.7	-18.1	.4	19.7	-19.0
Taiwan	.1	3.9	-3.9	.1	4.5	-4.1	.1	4.3	-4.3
South Korea	1.0	4.3	-3.1	.9	5.1	-4.1	.9	4.6	-3.4
Other Asia	46.0	47.9	-1.9	41.3	44.0	-2.4	44.9	47.0	-2.3
Egypt	4.0	5.0	-1.4	4.1	5.2	-1.6	4.1	5.7	-1.9
Iran	1.4	2.3	-.9	1.3	2.5	-1.3	1.3	2.4	-1.2
Israel	—	1.1	-1.2	—	1.2	-1.1	—	1.5	-1.4
Other N. Africa/ Mideast	17.8	22.2	-6.0	17.3	23.5	-4.9	15.1	23.0	-6.8
Other Africa	31.5	32.8	-1.6	29.9	31.9	-1.0	27.5	29.8	-1.7
Residual	.7	-5.0	+1.3	.6	-5.3	-1.0	.5	4.0	+.7
World	770.5	741.5		783.0	757.4		686.8	762.4	

— = negligible. ¹Production and consumption on marketing year basis, trade on July-June year. ²Forecast.

Argentina, Brazil, Hungary, and the United States. [*Jim Cole (202) 447-8857*]

Oilseeds

Prices in the soybean complex are higher than a year earlier because of reduced world output and lower stocks. EC demand for soybean meal will fall, thus affecting U.S. exports. The U.S. share of the combined world exports of soybeans and soybean meal will decline to 50 percent in 1983/84, from 57 percent a year earlier.

Production Down and Stocks Tight

World oilseeds production in 1983/84 will likely decline nearly 8 percent, primarily because of a poor U.S. harvest. Upward revision of soybean production in the United States improved prospects for total oilseed output compared with forecasts earlier in the year. Also, Brazil and Argentina are expected to increase soybean output over 2 million tons compared with a year earlier. World soybean stocks will decline sharply, primarily because of the tight U.S. crop. Last year, world stocks of soybeans were about 20 percent of use, while 1983/84 stocks are forecast to drop to 12 percent of use.

Production prospects for other oilseed crops are mixed. India may harvest a large peanut crop, which augments domestic vegetable oil supplies and reduces import needs. But severe drought in Africa cut Senegal's peanut output about 45 percent. China's excellent cotton crop also pro-

duced 24 percent more cottonseed. In contrast, Pakistan's poor weather and pest-damaged cotton crop lowered cottonseed output more than 40 percent. With the 1983/84 U.S. sunflowerseed harvest poor, Argentina will rank only behind the USSR in world production.

Tight Stocks Lead to Higher Prices

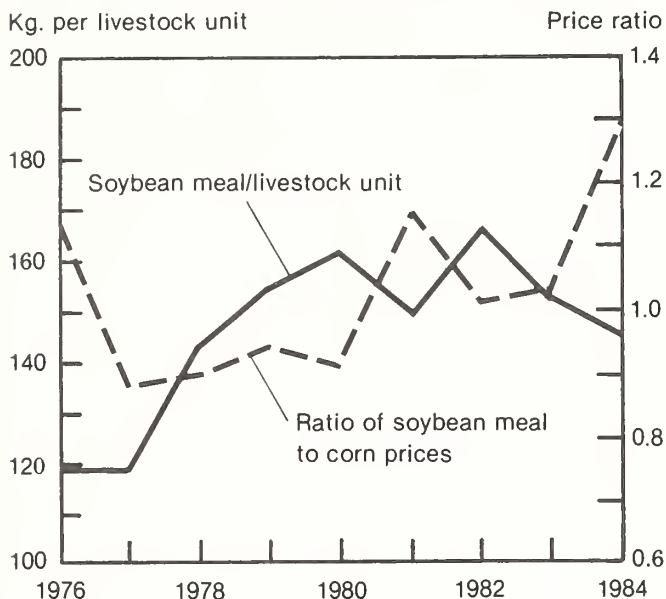
The sharp reduction of U.S. soybean supplies has been reflected in higher season average prices in the United States and Rotterdam. U.S. soybean prices in the October-December 1983 quarter rose 47 percent compared with the same quarter in 1982. January prices averaged below December's price by \$0.33 a bushel (\$12 a ton). In Europe, soybean prices in dollars rose 42 percent during fourth-quarter 1983, but skyrocketed 56 percent in Dutch guilders because of the appreciating dollar.

Higher Prices Weaken EC Demand

Soybean meal consumption in the EC is highly sensitive to prices, with higher prices depressing use. The soybean meal-to-corn price ratio hit a near record 1.3:1 in October-December 1983. Thus, soybean meal was 30 percent more expensive relative to corn. The slightly lower January prices narrowed the ratio to 1.27:1, but generally soybean meal feeding declines when soybean meal is 10 percent more costly than grain.

Soybean meal use per livestock unit in the EC could fall 4 percent in 1983/84 because of the higher meal-to-corn

Soybean Meal Feeding Responds to Price Ratio



*Data is for the EC.

price ratio. Soybean meal is also competing with the larger EC stocks of wheat as a source of protein in animal rations. Feed use of wheat per livestock unit may rise by one-third, and soybean meal use is forecast to decline 3 percent to 14.7 million tons.

EC soybean imports are forecast at 10.3 million tons, down 6 percent but soybean meal, forecast at 11.6 million, should fall only 2 percent. Soybean imports may be falling more than soybean meal imports because of the relative crush margins in both the United States and the EC. U.S. crush margins improved sharply in 1983/84 compared with a year earlier. EC crush margins, however, were less favorable than in the previous year. Strong U.S. vegetable oil needs may explain the improved U.S. margins for this year. However, in the EC, large supplies of vegetable oils, combined with weakened soybean meal demand and high soybean prices, eroded crush margins significantly compared with a year earlier. Therefore, fewer beans may be imported for crushing. Rather, the EC may import more soybean meal.

In Eastern Europe, soybean meal use may remain at or near last year's. U.S. shipments of soybean meal to Eastern Europe are well ahead of a year earlier, particularly to Poland. Total soybean meal use in Eastern Europe still has not recovered and is estimated at more than one-fifth below 1979/80.

Spain's weakened economy and rising unemployment is expected to dampen demand for livestock products. Therefore, 1983/84 soybean meal use is expected to fall roughly 320,000 tons below 1982/83. U.S. soybean exports to Spain during the current marketing year have fallen almost 40 percent compared with a year earlier, but Brazil's shipments during April-September 1983 were 450,000 tons higher than a year earlier. Brazil may also be shipping supplies to Spain for reexport to North African importers.

The Soviet Union may increase soybean meal use only slightly in 1983/84, following last year's large gain. Large fodder crops and perhaps smaller exports from the EC are likely to keep soybean meal imports at last year's level. The United States has shipped 416,000 tons through February.

U.S. Exports To Fall

U.S. soybean exports for 1983/84 are estimated at 19.7 million tons. This would be a decline of 20 percent, or nearly 5 million tons from last year. Soybean meal exports are forecast to fall to 5.4 million tons, or 16 percent. In terms of soybean meal equivalent (SME), which combines soybean and soybean meal exports, the United States will export almost 19 percent less. The 1983/84 U.S. share of world exports on a SME basis may drop to 50 percent compared with 57 percent in 1982/83. This reduced market share comes from the short U.S. crop as well as from the expected cut in EC imports. Because the EC buys primarily from the United States, a decline in EC imports has a large impact on U.S. exports.

South American Exports May Rise

Brazil's soybean exports are expected to reach 1.8 million tons, up 20 percent, and soybean meal 8.7 million, almost unchanged from a year earlier. Most of Argentina's increased soybean output will likely be exported because little soybean meal is used domestically. On a SME basis, Brazil is anticipated to export 24 percent of world trade in 1983/84 compared with 21 percent a year earlier. A majority of the exports are expected in the next 6 months as Brazil attempts to maximize export revenues at the highest price it can obtain before the 1984/85 U.S. crop prospects, if they are favorable, depress market prices.

India's 1984 imports of soybean oil will fall below 1983. The relative price for soybean oil and palm oil during 1984 will be the key determinant of actual soy and palm oil imports. India is also importing sunflowerseed and rapeseed oils. Pakistan's imports of U.S. soybean oil will rise because of the poor cottonseed output. In addition to P.L. 480 shipments, some Pakistani purchases may be cash.

U.S. soybean oil exports, estimated at 0.7 million tons, are forecast to drop 21 percent. Most exports are expected under U.S. credit programs such as GSM-102 and P.L. 480. High prices will curtail commercial sales but some are anticipated in the next few months because palm oil prices are at a significant premium to soybean oil. Malaysia's palm oil production forecast at 3 million tons for 1983 led to low stocks, and 1984's recovery may not occur until late spring. Brazil's soybean oil exports may decline slightly because of domestic needs. Brazil has imported a small quantity of soybean oil from Argentina.

U.S. sunflowerseed oil exports, estimated at 0.3 million tons, will rise, although sunflowerseed exports, forecast at 0.6 million, will decline 55 percent. Sunflowerseed oil exports seem to be selling at a smaller-than-normal premium to soybean oil. Argentina's large sunflowerseed crop was expected to be exported as oil. But large sales of Argentine sunflowerseed have been contracted with Mexico and sales to Portugal are likely. The U.S. share

Soybeans and products: World production, consumption, and net exports¹

Country	1981/82			1982/83			1983/84 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million tons</i>									
Soybeans									
Major exporters									
U.S.	54.44	28.03	25.29	60.68	30.16	24.63	43.42	26.81	19.73
Brazil	12.84	12.45	-.50	14.75	12.90	1.42	15.60	13.10	1.70
Argentina	4.15	1.34	1.83	3.57	2.11	1.42	5.00	2.50	2.50
Major importers									
EC-10	.02	11.68	-12.06	.07	10.46	-10.75	1.00	9.90	-10.12
Japan	.21	3.59	-4.34	.23	3.95	-4.90	.21	3.95	-4.80
Spain	.01	3.20	-3.20	.01	3.04	-3.04	0	2.60	-2.60
Eastern Europe	.52	1.04	-.60	.72	1.43	-.78	.66	1.35	-.76
China	9.33	4.04	-.50	9.03	3.60	0	9.30	3.71	0
Mexico	.68	1.50	-.57	.55	1.45	-1.07	.62	1.35	-.70
Taiwan	.01	1.00	-1.15	.01	1.05	-1.28	.01	1.00	-1.20
USSR	.45	1.71	-1.51	.49	1.57	-1.30	.50	1.57	-1.30
Residual	3.64	4.85	-2.69	3.89	5.26	-4.35	3.32	5.36	-2.45
World	86.30	74.43		94.00	76.98		79.64	73.20	
Soybean meal									
Major exporters									
U.S.	22.36	16.09	6.27	24.24	17.52	6.45	21.20	15.88	5.44
Brazil	9.64	1.97	8.13	9.98	1.32	8.62	10.09	1.40	8.70
Argentina	1.03	.21	.74	1.69	.19	1.50	1.93	.20	1.73
Major importers									
EC-10	9.41	16.41	-7.01	8.33	15.21	-6.92	7.81	14.74	-6.89
Eastern Europe	.82	4.10	-3.30	1.13	4.00	-2.90	1.06	3.98	-2.90
USSR	1.30	3.00	-1.70	1.19	3.79	-2.60	1.20	3.80	-2.60
Portugal	.41	.45	-.03	.51	.43	0	.40	.35	0
Japan	2.80	2.93	-.09	3.07	3.22	-.19	3.07	3.16	-.10
Mexico	1.19	1.37	-.04	1.15	1.18	-.18	1.12	1.25	-.03
Residual	10.23	13.42	-2.97	9.96	13.25	-3.78	9.82	13.01	-3.35
World	59.19	59.95		61.25	60.11		57.70	57.77	
Soybean oil									
Major exporters									
U.S.	4.98	4.33	.94	5.46	4.47	.92	4.94	4.36	.73
Brazil	2.33	1.37	.90	2.42	1.46	1.07	2.45	1.53	.98
Argentina	.22	.08	.12	.35	.07	.28	.41	.08	.33
EC-10	2.02	1.50	.44	1.85	1.42	.47	1.66	1.37	.40
Spain	.54	.10	.48	.52	.09	.42	.45	.09	.37
Major importers									
India	.07	.43	-.36	.08	.55	-.47	.11	.51	-.40
Pakistan	0	.32	-.32	0	.25	-.24	0	.26	-.25
Eastern Europe	.18	.36	-.17	.25	.51	-.30	.23	.47	-.23
Iran	.01	.36	-.35	.01	.36	-.35	.01	.36	-.35
Morocco	.01	.20	-.19	0	.12	-.11	0	.13	-.13
Residual	2.61	3.90	-1.49	2.65	4.02	-1.69	2.70	4.18	-1.45
World	12.97	12.95		13.59	13.32		12.96	13.34	

¹For soybeans, consumption refers to crush. ²Forecast.

of world sunflowerseed exports may fall to almost 40 percent in 1983/84 from 70 percent last year. Argentina's 1-percent share may rise to almost 20 percent in 1983/84. [Jan Lipson (202) 447-8855]

Meat

Per capita consumption of meat in 1983 declined marginally. Higher availabilities of pork and poultry failed to offset the lower beef. Use also declined in 1981 and 1982 as the worldwide recession, debt problems, and droughts took their toll. Current prospects point to this downward slide in per capita use continuing in 1984. Demand for meat in many countries will remain sluggish because of lagging economic recovery. Higher feed prices and resulting poor producer profitability will also be a constraining factor.

Declines in Beef To Slow

Average per capita consumption of beef and veal in the 49 major producing countries declined in 1983. In addition to relatively weak demand, world supplies were limited by increased retention of animals for herd rebuilding. While less pronounced than in recent years, use may still trend downward in 1984.

Argentina, traditionally the largest per capita consumer of beef, sharply reduced slaughter in 1983 as producers continued to rebuild herds. However, as the herd retention rate slows and producer prices improve in 1984, output and per capita consumption may increase. Brazil's output has risen as producers take advantage of higher prices. However, because of the government's push to increase exports, domestic consumption has declined and is expected to fall further.

Per capita beef and veal consumption¹

Country	1980	1981	1982	1983 ²
<i>Kg., carcass wt.</i>				
United States	47.8	48.2	48.2	49.0
Canada	40.9	42.2	42.1	42.3
Mexico	15.2	15.8	16.3	12.8
Argentina	84.1	84.0	70.6	64.1
Brazil	16.7	15.3	16.1	15.2
EC-10	25.8	24.8	24.1	23.6
USSR	26.4	26.2	26.1	26.2
Japan	5.1	5.3	5.5	5.5
Australia	49.8	48.7	50.1	42.6
49-Country average ³	23.9	23.6	23.4	22.8

¹Based on available data as of January 1984. ²Preliminary. ³Countries included in FAS biannual circulars on livestock and poultry.

Drought in Mexico caused distress slaughter in 1982, reducing 1983 inventories and meat output. Consumption should be higher in 1984 as slaughter recovers and as better forage supplies promote heavier slaughter weights. Per capita consumption declined sharply in Australia as higher retention of cows and heifers for herd rebuilding reduced available supplies last year. While the decline in use in 1984 will not be as severe, domestic supplies will continue to be limited by reduced slaughter and a relatively strong export market.

The United States and the USSR were the only major consuming countries showing a significant increase in consumption last year. Favorable forage and grain supplies enabled the USSR to dramatically increase beef production in 1983 and imports remained large. With continued favorable USSR feed supplies, per capita consumption will continue to expand this year. However, U.S. use will decline because of lower domestic production and lower imports.

Little Change in Pork

Per capita consumption of pork showed a small increase last year, after declining in 1981 and 1982. Larger production in Europe, the USSR, and the United States was chiefly responsible. Limited feed supplies continued to hamper the recovery in Mexico and Poland. High feed prices will pressure producers in most countries during much of 1984. Thus, with the exception of the USSR, per capita consumption of pork will at best only match 1983 levels.

Europeans have traditionally favored pork and remain the largest per capita consumers. While consumption increased slightly in the EC last year, little gain is expected in 1984. Higher feed prices, and domestic markets nearing the saturation point, will constrain pork production.

The recession in Mexico has dampened consumer buying power and higher feed prices have cut producer profits. As a result, fewer hogs are being raised, and consumers are switching to meats such as poultry. In Poland the shortage of imported feed and unfavorable producer profits forced pork output down in 1983. In early 1984, some encouragement to produce hogs was given in measures such as higher allocations for feed concentrates and

Per capita pork consumption¹

Country	1980	1981	1982	1983 ²
<i>Kg., carcass wt.</i>				
United States	33.6	32.0	28.7	30.1
Canada	32.1	30.1	27.9	27.7
Mexico	13.1	15.3	16.4	14.2
Germany, Fed. Rep.	50.2	49.8	49.6	50.0
France	34.1	34.5	34.4	34.6
Netherlands	35.0	38.5	39.1	39.5
EC-10	34.0	34.1	34.4	34.7
Germany, Dem. Rep.	62.4	64.3	58.0	58.3
Poland	47.8	39.8	42.2	36.6
USSR	20.0	19.9	20.1	20.6
Taiwan	28.8	28.0	26.9	29.4
Japan	14.4	13.8	14.0	13.9
36-Country average ³	25.0	24.5	24.0	24.2

¹Based on available data as of January 1984. ²Preliminary. ³Countries included in FAS biannual circulars on livestock and poultry.

coal (to process potatoes for feed). While this may increase pork output later in the year, consumption will remain well below the 1980-82 average. Per capita consumption in the USSR rose around 3 percent in 1983 after remaining fairly constant for several years. With inventories sharply higher and with abundant supplies of better quality feed, consumption increases in 1984 may surpass last year.

Taiwanese pork consumption increased sharply in 1983 as producers responded to favorable feed prices during much of the year. Output will continue large in 1984, but part of the increase will be because lower producer prices and high feed costs will foster herd reductions.

Poultry Consumption Flat

Per capita consumption of poultry meat has been stagnant over the past 2 years, after showing dramatic increases from the mid-1970's through 1981. Average consumption of poultry meat in 34 selected countries (including the United States but not Middle East/North Africa) only increased 0.1 to 0.2 kilograms per person in 1982 and 1983. In addition, the limited available data indicate a drop in many of the Middle East/North Africa countries in 1982 and only a small rebound in 1983.

The United States, Japan, and the USSR showed the largest gains in use last year. Demand for poultry meat was strong in the United States and Japan. Despite larger Soviet red meat use, poultry continued its rapid rise of the past several years. Poultry consumption in Poland recovered slightly last year, but use per person was still only one-half of its 1981 level.

Sharp increases in feed costs and fairly weak export demand caused a cost/price squeeze in French and Brazilian broiler industries. As a result, poultry production in Brazil only about equaled 1982, and French output dropped around 4 percent. Oversupply problems, in light of recession-reduced demand, and escalating feed costs affected many other countries—such as Spain, Taiwan, and Canada.

Per capita consumption of poultry meat in 1984 is expected to show only a marginally larger increase than

Per capita poultry consumption¹

Country	1980	1981	1982	1983 ²
	<i>Kg., carcass wt.</i>			
United States	27.8	28.7	29.3	30.0
Canada	23.0	22.9	22.6	22.6
Mexico	7.3	7.7	7.8	6.7
Brazil	9.4	9.5	10.0	9.8
Italy	17.2	17.0	17.6	17.4
France	16.5	16.5	16.8	17.3
EC-10	13.7	13.7	14.2	14.3
Spain	20.8	23.7	22.8	21.4
Poland	11.9	12.4	5.9	6.2
USSR	8.5	9.5	9.9	10.5
Hong Kong	25.4	26.5	29.2	27.8
Japan	10.5	10.5	11.1	11.6
34-Country average ³	14.2	14.7	14.8	15.0

¹Based on available data as of January 1984. ²Preliminary. ³Countries included in FAS biannual circulars on livestock and poultry.

in 1983. The economic recovery still is not sufficiently robust to generate a strong demand for meat in most countries. Consumption in Western Europe will be about the same as 1983. Other countries, such as Poland, have a strong latent demand for poultry, but do not have the financial resources to import it, nor the necessary feedstuffs to expand their domestic output. In addition, high grain and protein meal prices will continue to squeeze producer profits in many other countries, particularly the main poultry exporting countries—Brazil and France. Thus, poultry importers will see fairly tight world supplies and rising prices in 1984. Even Japan may register its smallest rise in per capita use since 1981. Although poultry meat imports may only match 1983's, Hong Kong's consumption will increase as its broiler industry recovers from the shock caused by the banning of certain growth hormones. *[Gerald Rector and Linda Bailey (202) 447-8054]*

Sugar

The 1983/84 world sugar balance between output and use remains relatively unchanged from USDA's fourth-quarter 1983 estimate. World sugar prices have continued to drop in the face of large stocks.

Large Stocks Could Rise Further

World sugar output in 1983/84 is estimated at about 95 million tons, 6 percent below last season. Consumption continues to be forecast at 94 to 95 million tons in 1983/84. Stocks, therefore, are likely to rise further. The lower consumption figure, based largely on population increase, is up 2.2 percent from 1982/83. The Soviet Union has a much improved crop; yields are up 19 percent from last season and output is estimated at 8.5 million tons, about 9 percent of the world's total. China's sugar output is now estimated at a record 4.3 million tons, up 10 percent from USDA's earlier estimate. However, drought damage to the Philippine crop may be more extensive than figured earlier. Freezing weather has reduced cane sugar production in the United States, and possibly Mexico.

Prices To Stay Low

An improved world economy could boost demand by another 1 percent, especially with prices at their current low. However, the higher demand is not expected to be enough to reduce stocks. World sugar output may rise in 1984/85, though not to the record 101 million tons of 1982/83. Private forecasts place EC output up 3 to 4 percent—about 400,000 tons.

Monthly average prices (f.o.b. Caribbean) have been declining steadily since last year's high of 10.8 cents a pound in June. Prices in early February were about 6.7 cents a pound, and are expected to stay at 6 to 8 cents this year. The strength of the U.S. dollar has also weakened prices. The dollar in 1983 rose 15 percent over the British pound and 12 percent over the German mark. Also contributing to weaker prices is the slow progress toward a new International Sugar Agreement (ISA). The current ISA ends in 1984. *[Robert D. Barry (202) 447-7290]*

Coffee

Production Up; Prices Too

World coffee production in 1983/84 is now estimated at 91.7 million bags (60 kilograms each). This is 11 percent higher than the year earlier frost-reduced crop, but less than the 98.2-million-bag crop in 1981/82. Output in Brazil (the world's largest producer), increased from 17.8 million bags to 30 million as the 1983 crop recovered from the severe midyear freeze in 1981.

Other countries increasing production include Mexico, Peru, Venezuela, Cameroon, Madagascar, Zaire, Indonesia, and Papua-New Guinea. Production remained about unchanged in Ethiopia and Tanzania. Conversely, the biggest decline was in the six coffee-producing countries of Central America, where production declined 14 percent to nearly 9.3 million bags. Other countries with declines include Colombia, Ecuador, Ivory Coast, Kenya, Uganda, India, and the Philippines.

Global exports will likely total nearly 67 million bags in 1983/84, up 2.5 percent from 1982/83. While world consumption is expected to expand in 1983/84, the increase will fall short of production by around 4 million bags. Ending 1983/84 stocks in producing countries are expected to increase 9 percent to 46.8 million bags.

The International Coffee Agreement (ICA) composite for "other mild Arabicas" and "Robustas" averaged \$1.28 a pound in calendar 1983, up 2.5 cents from 1982. For the first 9 months of 1983, the ICA-1976 composite price averaged \$1.25 a pound, jumping to \$1.38 for the last quarter, and remaining near there early in 1984.

Price increases have come from (1) reduced crop prospects, and (2) considerable rainfall in Brazil that has harmed the crop quality. This has created a general upward pressure on coffee prices, for "other milds" in particular, and is coupled with Central America's 14-percent smaller crop in 1983/84. Prospects concerning the 1984/85 crop will begin to affect green coffee prices about midyear. *[Fred Gray (202) 447-7290]*

Cotton

World production of cotton in 1983/84 is estimated to about match last year's, as the 35-percent drop in U.S. production is largely offset by the 25-percent increase in China. China now accounts for 30 percent of world production. High cotton procurement prices, coupled with a yield increase of about 65 percent over the last 5 years, have made cotton very attractive to Chinese farmers who are now functioning within a more decentralized planning system. Soviet production increased only a little over 5 percent from the poor 1982/83 harvest, but quality improved markedly. Pakistan, the world's fifth largest producer over most of the last decade, had problems with late rains and insects, reducing the 1983/84 crop 40 percent. In the Southern Hemisphere, where the crop is harvested later, a 0.5-million-bale decline in Brazil will be more than offset by increases in Argentina, Australia, Paraguay, Peru, and South Africa.

Consumption To Rise 3 Percent

An improved economic environment is expected to encourage some rebound in cotton consumption in most countries. Exceptions may be in Brazil and Mexico where reduced supplies combine with continued recession to keep consumption low, and in Japan, where spinners have agreed to restrict yarn production to maintain profitable prices. Two-thirds of the world's 2-million-bale consumption increase is occurring in China, where cotton use may increase 8 percent, driven by an increase in supplies, an end to textile rationing, an improvement in incomes, and the introduction of somewhat liberalized fashions. The United States has also experienced a strong rebound in mill use caused by improved demand and inventory rebuilding associated with economic recovery.

U.S. Exports Up 30 Percent

Although world trade of cotton is not expected to be much greater in 1983/84 than it was in 1982/83, the United States is expected to substantially boost its market share to more than 35 percent. The USSR and Pakistan, normally the second and third largest exporters of cotton, are likely to import enough U.S. cotton to be among the top 10 customers. Limited supplies will also moderate competition from Brazil, Egypt, and Mexico. As a result of reduced competition and readily available stocks released by the PIK program, the United States has increased its market shares in East Asia and Western Europe, particularly in Italy, France, Spain, Japan, and Indonesia. However, if foreign exporter production increases as expected in 1984/85, the United States would be unlikely to maintain a 35-percent share of world cotton exports. [Ed Allen (202) 382-9820]

Tobacco

For 1983, world unmanufactured tobacco production is estimated at 13.1 billion pounds (5.94 million tons), a 14-percent drop from the 1982 record. Production of every major leaf type was down: Flue-cured declined 16 percent; burley, 17 percent; and Oriental, 2 percent. The two largest tobacco producers, China and the United States, recorded production declines of 31 and 29 percent, respectively. Other countries, including Greece, India, Mexico, Poland, and South Korea, also had reduced crops in 1983. Larger crops were harvested in Argentina, Canada, Colombia, Indonesia, Thailand, Malawi, Turkey, Yugoslavia, and Zimbabwe.

Unmanufactured tobacco exports in 1983 may have declined about 2 percent because of very large world stocks. This follows a 3.5-percent decline in 1982 after

Cotton: World production, consumption, and net exports¹

Country	1981/82			1982/83			1983/84 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million 480-lb. bales</i>									
Major exporters									
United States	15.6	5.3	6.5	12.0	5.5	5.2	7.7	5.8	6.8
USSR	13.3	9.2	4.2	11.9	9.2	2.9	12.7	9.3	3.1
Pakistan	3.5	2.2	1.1	3.7	2.4	1.3	2.2	2.4	-.2
Egypt	2.3	1.4	.9	2.1	1.4	.9	1.8	1.4	.9
Turkey	2.2	1.4	1.0	2.2	1.6	.7	2.4	1.8	.6
Central America	.9	.1	.8	.8	.1	.7	.9	.1	.8
Sudan	.7	—	.5	.9	.1	.6	1.0	.1	.8
Brazil	3.0	2.6	.1	3.0	2.6	.8	2.5	2.5	.1
Mexico	1.4	.6	.8	.8	.6	.4	1.0	.5	.5
India	6.4	6.0	.2	6.3	6.3	.6	6.3	6.4	.3
Major importers									
Western Europe	.9	5.1	-4.4	.7	5.5	-4.8	.8	5.5	-4.7
Japan	—	3.4	-3.5	—	3.3	-3.1	—	3.1	-3.1
Eastern Europe	.1	3.4	-3.2	.1	3.3	-3.3	.1	3.3	-3.4
South Korea	—	1.6	-1.5	—	1.6	-1.6	—	1.6	-1.6
Taiwan	—	1.1	-1.1	—	1.1	-1.0	—	1.1	-1.1
China	13.6	15.7	-2.1	16.5	16.2	-.9	20.5	17.5	+3
Hong Kong	—	.7	-.7	—	.7	-.7	—	.8	-.9
Residual	6.9	5.8	+4	6.5	6.1	+1.3	7.6	6.3	+8
World	70.8	65.6		67.5	67.6		67.5	69.5	

— = negligible. ¹Year beginning August 1, consumption is mill use. ²Forecast.

Tobacco production

Country	1980	1981	1982	1983
	1,000 tons			
China	845	1,497	2,179	1,500
United States	811	936	899	628
India	454	481	525	515
Brazil	364	325	378	378
USSR	289	273	307	310
Turkey	228	168	214	221
Bulgaria	136	141	159	155
Italy	126	131	143	140
Japan	141	138	139	138
Indonesia	85	110	117	122
Greece	117	127	132	115
Canada	108	112	70	111
Zimbabwe	125	69	93	99
South Korea	93	87	115	95
Thailand	84	75	86	92
Philippines	78	81	90	92
Poland	56	96	96	85
Yugoslavia	57	73	75	80
Malawi	56	51	59	77
Argentina	62	51	69	73
Other countries	884	917	936	910
World	5199	5939	6881	5936

1981's record. Except for Brazil and Italy, exports declined in 1982 for most of the major exporting countries. This decline results from large surpluses of some tobaccos, weak economic conditions, and a decline in consumption in some major countries.

The United States is the world's leading tobacco exporter and also the largest importer. U.S. exports of unmanufactured tobacco and tobacco products were valued at \$2.65 billion in calendar 1983, 7 percent below 1982's record. This figure includes unmanufactured tobacco worth \$1.46 billion and tobacco products valued at \$1.19 billion. U.S. tobacco imports rose, and totaled \$817 million, leaving a positive trade balance of \$1.83 billion, 20 percent below last year's record and the lowest in 4 years.

Duty-paid imports (for consumption) of unmanufactured tobacco and machine-threshed leaf (customs category 170.8045) increased 30 percent in 1983 to 527 million pounds. Increases in cigarette leaf, cigar leaf, and machine-threshed leaf much more than offset a reduction in scrap and stems. [Verner Grise (202) 447-8776]

REGIONAL DEVELOPMENTS

United States

Bad Weather Reduces Output

Extremely cold weather late in 1983 and early this year substantially reduced prospects for U.S. citrus production, and to a lesser extent for fresh winter vegetables. Citrus trees, as well as the fruit, have been damaged and may take a couple of years to recover. Fortunately, the impact on food supplies and prices will not be great. Production forecasts of citrus were lowered 17 percent because of the freeze, but part of this loss will be offset by larger imports of frozen concentrated orange juice from Brazil. Vegetables were quickly replanted and will

be ready for market by March. Also, more winter vegetables will be imported from Mexico, especially since the peso has weakened substantially against the dollar. Extreme cold and snow in many areas have disrupted livestock marketings and kept animals' weight gains poor. However, because of continued large meat production, the impact on food supplies is small.

Farmers To Plant More Acres in 1984

Drought-reduced crop production in 1983 boosted prices sharply for feed grains, cotton, and oilseeds. Demand for grains and oilseeds has been dull, with the export volume edging lower again this season, and domestic use sliding as livestock and poultry producers respond to higher feeding costs. Most of the available feed grains and oilseeds will be consumed before the 1984 harvest. So corn, soybean, and cotton prices in January were 14 to 35 percent higher than a year earlier.

With higher prices and less attractive acreage-reduction programs, plantings of 1984 crops may rise substantially. Seedings of corn, soybeans, wheat, and cotton could all approach the 1981 and 1982 highs. With a return to normal yields, 1984 production will increase. Poor weather in the United States or other countries, however, would maintain upward price pressure on crops.

Meat Output To Decline

Red meat and poultry production rose 4 percent last year to a record. All meats shared in the increase. Large production will continue in the first half of 1984, but may drop sharply in the second half.

Beef production could be up about 2 percent during January-June. Fed cattle marketings may be a bit lower, but there will be higher slaughter of cattle directly off grass. Also, with a new milk diversion program, more dairy cows will be slaughtered. Pork production will be up only about 3 percent in the first half. Broiler production could be off about 2 percent, because low profits last year caused producers to reduce their hatching flocks.

Second-half meat production will likely fall moderately below a year earlier. Beef production will be down because of smaller marketings of fed cattle and cattle off grass. Pork production could be down 6 to 8 percent because hog farmers are reducing spring farrowings in response to poor profits last year. The declines in beef and pork may be partially offset by a 5-percent increase in broiler production.

Prices of livestock and poultry will strengthen this year as meat output tapers off and demand for meat is bolstered by further gains in consumer incomes. Unemployment is falling and inflation is being held in check. Thus, prices received by farmers for livestock and poultry likely will be moderately higher, particularly in the second half. [Don Seaborg (202) 447-8376]

Canada

Higher Livestock Prices Expected

Higher production and lower prices characterized the Canadian livestock sector in 1983. Total cattle slaughter

was down almost 2 percent, but higher carcass weights pushed beef production 2 percent above 1982. Beef supplies are expected to tighten in 1984, especially after midyear, and overall prices should be higher than in 1983. Slaughter is forecast to decline as a return to more profitable conditions encourages retention of female animals for herd rebuilding. Beef exports to the United States, after increasing 5 percent in 1983, are expected to continue this trend, despite lower Canadian and higher U.S. cow slaughter, and reduced Canadian imports from Oceania. Canadian beef imports are forecast to increase, which would encourage shipping similar products into the United States.

Total hog marketings (slaughter plus live exports) were an alltime high in 1983 and pork production was up 5 percent. Production will continue high in the first half of 1984, but reduced farrowings in response to lower profitability last year could reduce supplies in the second half. Producer prices should improve this year, especially in the second half. Exports declined 2 percent in 1983, but Canada remains a net pork exporter. Little change in export volume is expected for 1984, because U.S. pork supplies will be large and competition will be strong in the Japanese market.

Farm Income To Improve

Net farm income in 1983 is expected to fall for the second year in a row. Cash receipts were down about 1 percent, reflecting lower prices for both crops and livestock. Net farm income should improve in 1984. Cash receipts will increase because of higher prices for many commodities, and production expenses will continue to be restrained by moderate growth in inflation and interest rates. However, the rise in agricultural prices will lead to a 6- to 8-percent food price increase in 1984, compared with only 4 percent in 1983.

U.S. Exports To Grow in 1984

U.S. agricultural exports to Canada were up about 2 percent in 1983 and may rise another 2 percent in 1984. However, U.S. exports will remain below the \$2 billion achieved in 1981. Exports of fruits, vegetables, and nuts, comprising almost half of the total value, are forecast to grow 3 percent. Grains and oilseeds exports are expected to decline as Canada continues to use more domestic production. [Carol Goodloe (202) 447-8378]

Western Europe

Economic Recovery Continues Slowly

Real economic growth of less than 1 percent in Western Europe is lagging significantly behind recovery in the United States, where growth in 1983 was 3.3 percent. Unemployment rates were still quite high at the end of 1983—10 percent for the EC and about 18 percent for Spain. In 1984, real economic activity in Western Europe is expected to improve, but will likely be well below the 5-percent gain forecast for the United States.

U.S. Exports Decline in 1983

U.S. agricultural exports to Western Europe totaled \$10 billion in 1983, down \$1.5 billion or nearly 13 percent

from 1982. Major commodities that declined were wheat (40 percent), corn (21 percent), and soybeans (19 percent). Those that registered some increase included corn byproducts (36 percent), cotton, excluding linters (8 percent), and soybean meal and unmanufactured tobacco (4.6 percent). U.S. agricultural exports to Western Europe in FY 84 are currently forecast at \$10.8 billion, a reversal of the decline over the past several years. Economic recovery in Western Europe and a weakening of the U.S. dollar against European currencies could boost U.S. agricultural sales to Western Europe.

EC Uses Bread Quality Wheat for Feed

Trying to further reduce wheat intervention stocks, the EC has implemented a program to move 2 million tons of soft breadmaking wheat into feed use. The wheat is being offered to feed compounders at 4 percent below the reference price. Purchases were estimated at less than 1 million tons at the end of January 1984 because good supplies of feed wheat were still competitively priced. The program ended February 29. Some breadmaking wheat has also been drawn from intervention stock through export tenders announced by the EC. The Community is attempting to reduce wheat stocks, which reached a record 11.5 million tons in 1983, to the usual carryover of around 7 million.

EC Net Farm Income Down

Unlike in 1982, when the EC's net farm income rose 10.7 percent, a decline of 6.3 is estimated for 1983. Declines were registered in all countries except Italy and Ireland. The EC Commission attributes the decline to poor weather in 1983 and to rising input costs, particularly for fertilizers and fuels. However, remember that 1983 figures are compared with 1982's, a time of substantial production increases in most commodity areas of the EC.

EC Budget Crisis May Lead to CAP Reform

The EC is facing a major financial crisis in 1984. Unless revenues can be increased or expenses cut, or a combination of both, the EC will likely run out of funds before the end of 1984. This could result in the EC's failure to fund critical commodity programs and may require member countries to be financially responsible for their own commodities. Such a development would be a serious reversal to the goals inherent in the EC's common agricultural policy (CAP).

In July 1983, the EC Commission proposed the CAP be changed to reflect greater realism in matching agricultural production to Community and external market demand and to adopt a more restrictive price policy. Guarantee thresholds—supporting commodity prices at specified levels only if production is kept below a certain level—are the main components of the proposals for controlling commodity output and budget costs. According to the Commission, the price policy should take account not only of farm income in the Community, but also of the agricultural markets, the budget, and other general economic factors.

EC Commission officials have also recommended to the Council that agricultural trade policy be based on a combination of (1) cooperating with principal exporting

countries to prevent world price declines, (2) developing sound economic policies for promoting exports, and (3) revising the EC's external protection system to complement Community efforts to limit its agricultural production. The EC's announced intention of limiting imports of corn gluten feed and other selected nongrain feeds would fall under the third trade guideline. The United States would retaliate strongly against any such limitation.

Athens Summit Leaves Issues Unresolved

At the December 1983 Athens summit, EC heads of government tried to resolve the EC's financial crisis. Proposed changes in the CAP included narrowing EC and world grain prices, reducing dairy surpluses, limiting imports of nongrain feeds, imposing a tax on the consumption of fats and oils, and eliminating monetary compensatory amounts (MCA's) on agricultural trade. Certain EC countries wanted these issues resolved before any attempt was made to raise the present 1-percent limit that member State's value added tax (VAT) contributed to the EC budget. Participants at the summit also sought to reallocate costs among members and to schedule membership for Spain and Portugal. However, none of the CAP reforms nor the other issues were resolved.

Price Proposals for 1984/85

The EC Commission has submitted its price proposals to the EC Council for the 1984/85 marketing year. The proposals are supportive of the July 1983 recommendations for a restrictive price policy. In European currency units (ECU's), the overall price increase would be 0.8 percent. The proposed prices are unchanged from 1983/84 for soft (common) wheat, rye, barley, corn, milk, wine, and olive oil. Proposed rapeseed prices are reduced 1 percent, but sunflowerseed and soybean prices would be increased 1 and 2.5 percent, respectively. A proposed reduction of 11 percent in the butter price, to stimulate consumption, would be offset by a similar increase in the price of skimmed milk powder. The Commission recommends that sugar prices be increased 1 percent, and meat prices, 1.5.

The Commission's proposals are even more restrictive when the ECU values are converted to national currencies. A nominal price decrease of 1 percent has been calculated across all commodities and countries when the agricultural "green currencies" are revalued (or devalued) against the ECU. Countries whose currencies have risen—West Germany, Netherlands, Denmark, and the U.K.—would suffer price declines. The other member countries would experience price increases because their currencies have fallen.

Price decisions, however, are the responsibility of the EC Council, which has frequently made changes in Commission proposals. Substantial price cuts in the strong currency countries are not likely to be approved. The Commission has asked the Council for its price decision by March 31 because of the difficult financial situation in the Community. However, since the EC Council will probably link the price decisions with CAP reform, the March 31 target is unlikely to be met. [Reed E. Friend (202) 447-6809]

Australia

Wheat Production Reaches Record

An estimated 21.4 million tons of wheat were harvested in 1983/84, over 3 million above the previous record. However, 5 million tons were downgraded because of weather damage. Intermittent rains delayed harvesting and lowered quality in large areas of Queensland, New South Wales, and Victoria. This downgraded wheat poses a marketing challenge for the Australian Wheat Board; although storage quality is poor, it will be reluctant to sell at too low a price. In Western Australia, dry weather resulted in some lightweight wheat, which should be marketable at discount prices.

Domestic use will probably decline because of improved pasture and larger oat supplies. Exports may reach only 13 million tons in the 1983/84 marketing year because of weak foreign demand. Thus, carryover stocks may balloon to 7 to 8 million tons.

Beef Production May Decline Further

Cattle numbers are estimated to have declined in 1983/84 for the eighth consecutive year. Slaughter is likely to drop significantly in 1984 as producers retain more females for herd rebuilding. The lower slaughter numbers will be partially offset by increased average slaughter weights, the result of excellent pasture conditions. Thus, beef and veal production is expected to decline around 6 percent in 1984 to the lowest since 1974. With higher retail prices likely, domestic beef consumption will decline. Nevertheless, exportable supplies will be even less than in 1983.

Farm Income Will Recover in 1983/84

The Australian Bureau of Agricultural Economics estimates agricultural production will reach a record \$A14.75 billion in 1983/84, 31 percent above last year's reduced level. Farm costs rose 5 percent in 1982/83 and are estimated up 11 percent this year. Net farm income will rebound from \$A2.0 billion to about \$A4.5 billion. This value will be about on trend in real terms. [Sally Byrne (202) 447-8376]

Japan

Beef and Dairy Expansion Promoted

Under its revised dairy industry promotion law, Japan's Ministry of Agriculture, Forestry, and Fisheries (MAFF) will implement programs designed to expand and modernize its beef and dairy industries. One of MAFF's major goals is to achieve its fiscal 1990 targets for increasing milk production to 8.42 million tons, 23 percent above FY 82's 6.84 million, and beef output to 630,000 tons (carcass weight), a 30-percent increase from FY 82's 483,000.

A key objective is to lower domestic beef prices to those in the EC, where prices are about one-third lower. One way is to reduce the finishing time for producing beef. MAFF recommends the time required for producing beef from beef-breed animals should be shortened from the current 26 to 30 months to 24 months, and the time for raising dairy animals cut from 21 to 18 months. This

compares with 15 to 24 months for U.S. grain-fed beef. Furthermore, shorter finishing times would produce leaner beef. A council has been set up to revise the current wholesale beef pricing system, which is based on fat content.

To further increase production efficiency, MAFF is promoting larger scale operations and is concentrating on "core" farmers. MAFF also encourages greater use of grass forage and domestic feed. Currently, substantial quantities of concentrated feeds are used in beef production.

MAFF's plan to expand domestic beef production primarily responds to consumers' requests for cheaper beef. Although Japan's beef imports are controlled by quota—141,000 tons for FY 83—Japan is an important market for the United States and other major beef exporters. The United States exports substantial quantities of high-quality beef to Japan.

New Rice Production Plan

MAFF has developed a rice production plan for fiscal years 1984 through 1986. Under this plan, the Government intends to build present low rice stocks to between 1.2 and 1.5 million tons (brown) by the end of FY 86; to set aside 600,000 hectares total each year (540,000 hectares to produce alternative crops, and 60,000 to produce "other use" rice to make rice crackers, soy sauce, bean paste, etc.); and to produce about 10.4 to 10.5 million tons of rice (brown) annually for food consumption. There is no provision for producing feed rice, although this may still be a long-term consideration.

Due to four successive poor rice crops, stocks of newer "edible" rice are extremely low. This contrasts sharply with the mid-1970's when Japan was burdened with large surpluses, which prompted a paddy land-diversion program and a surplus rice disposal program, aimed at reducing stocks through exports, animal feeding, and industrial use. The current surplus rice disposal program will end in March 1984. A new plan will allocate a small amount of rice for industrial use only. The Government will curtail rice exports and discontinue using rice for livestock feed because of the high cost, foreign pressure, and associated administrative problems.

The current low stocks and the goal to rebuild them for food security will allow Japan to reduce its diversion area modestly. In 1983, 638,000 hectares of paddy area were diverted to other crops, exceeding the Government's target of 600,000 by 6 percent. The plan to reduce diversion area will help stabilize or reduce production of alternative crops such as wheat, soybeans, forage, and barley. Thus, imports of these crops could increase slightly. *[Lois A. Caplan (202) 447-8229]*

USSR

Soviet gross agricultural production increased 5 percent in 1983 to reach a record 133.8 billion rubles (in 1973 constant prices). The previous record of 128 billion was set in 1978. Production of grain, sugarbeets, and potatoes was higher, and production of meat, milk, and eggs achieved records. Soviet agricultural imports declined from a peak of \$20.8 billion in 1981 to an estimated \$18

billion in 1983. Current prospects indicate a further decline in 1984. Despite the downtrend in total agricultural imports, Soviet agricultural imports from the United States are expected to be up 70 percent in FY 84 and to total \$1.7 billion. Although still quite early, preliminary prospects for Soviet agricultural production in 1984 are good.

Higher Output Reduces Imports

The 1983 grain harvest is estimated by USDA at 200 million tons, 20 million above the 1982 crop estimate. Coarse grain production is thought to have increased 22 million tons to 108 million, while wheat production probably fell 6 million tons to 80 million. This shift resulted both from weather, which forced a reduction in winter wheat area, and from a state policy shift in favor of coarse grains and pulses. So, for the second year in a row, wheat is expected to account for two-thirds of total Soviet grain imports, which are estimated at 31 million tons this July-June year, compared with 32.5 million in 1982/83. The higher grain availabilities in 1983/84 would allow a 6-percent increase in the amount of grain fed and a 7-million-ton increase in stocks.

Imports of other important commodities, such as livestock products, sugar, and cotton, will likely be lower in 1984, while oilseed product imports may increase slightly. The record livestock inventories and feed supplies on hand January 1, combined with the mild 1983/84 winter, should provide another year of record meat production. Higher beet production in 1983 facilitated a 1.3-million-ton increase during the 1983/84 refining campaign. Though seed cotton production in 1983 declined 1 percent, the higher quality crop may reduce cotton imports during the 1983/84 marketing year. In 1983, oilseed production fell an estimated 1 to 2 percent, which may result in slightly higher imports of vegetable oil. After 5 years of strong growth, imports of oilseed meal are likely to stabilize in 1984, despite continued large protein deficiencies in Soviet feeds. Higher world oilseed prices and larger Soviet production of pulses, which can be used to replace soybean meal in mixed feed rations, are restraining oilseed meal imports. Imports of oilseeds are expected to be unchanged.

U.S. Agricultural Exports Up in FY 84

U.S. agricultural exports to the Soviet Union are projected to increase 70 percent in FY 84 and to reach \$1.7 billion. Higher volume and prices will contribute to the increase. Grain exports are projected sharply above the 6.2 million tons in FY 83. This will mean an increase in the U.S. share of Soviet grain imports from roughly 20 percent to nearly 30 percent. By February, most of these purchases had been made, exceeding 8 million tons. U.S. soybean exports in FY 84 are expected to match last year's 600,000 tons.

The first of the semiannual consultations called for in the 1983 U.S.-USSR Grain Agreement were held in London on January 24-25, 1984. The consultations involve discussion of world grain production and trade and performance under the agreement. The Soviets as usual raised questions about U.S. grain quality and contaminants. The United States invited the Soviets to send a team of scientists to the United States to discuss these concerns. The United States offered the USSR an addi-

tional 10 million tons of grain over the basic agreement maximum of 12 million. The next consultations are scheduled for May.

Production Outlook Improves

In 1984, the USSR plans to expand gross agricultural production another 5 percent, which is unlikely to be attained without better-than-normal weather. However, considerable improvement is possible because of improved input availability, particularly of fertilizers and machinery for the feed-livestock sector. The Soviets have also attributed 1983's good showing to elements of the Food Program, noting specifically the district agricultural organizations for improving management and the collective contract teams for improving on-farm incentives. These institutional improvements are expected to expand further in 1984.

Area sown to winter crops has increased to 40 million hectares. This suggests that area sown to higher yielding winter grains may be up 10 percent. Based on weather conditions through early February, winterkill is expected to be about average. Fall plowing was also carried out on a larger area. Total grain area is likely to increase very little if at all, however, because of area requirements for other crops, the continued goal of increasing clean summer fallow area, and very limited annual increases in total arable land. [Edward Cook (202) 447-8380]

Eastern Europe

Despite production declines in agriculture during 1983, U.S. agricultural exports to Eastern Europe are expected to remain about \$840 million during 1984. However, the prospects for U.S. agricultural exports will be dampened by hard currency shortages in all East European countries. Currently, FY 84 Commodity Credit Corporation (CCC) export credit guarantees total less than in 1983.

Agricultural Production Down Slightly

Compared with the 1982 record, gross agricultural production in 1983 declined about 2 percent. Slight increases in Czechoslovakia and Poland were offset with declines in all other East European countries. Despite the severe 1983 drought, total grain production exceeded 100 million tons, the second largest. An oilseed crop of 4 million tons matched 1982's. Increased rapeseed harvest in the north offset a decline in sunflowerseed production in the south. The potato crop was mediocre, sugarbeet

production was less than the 1976-80 average, and forage production was also poor.

Total livestock inventories remained fairly stable, increases in some countries were offset by declines in others. Total meat production did not change significantly.

Food and Procurement Prices Raised

Retail food price increases were announced in 1984 in Hungary, Poland, and Yugoslavia. Yugoslavia reported the steepest increases and instituted a price freeze in January. Rampant inflation during 1983 drove the retail price index up 58 percent, and boosted the food component 73 percent. In Hungary, retail food prices were hiked from 10 to 23 percent. Average food prices in Poland were increased nearly 10 percent.

Procurement prices were also raised in most countries. Higher prices will be paid to farmers for crops and livestock in 1984, but a reduction in input subsidies will raise production costs and squeeze farm income. The new input costs and procurement prices reflect more closely the world market and should induce farm managers to allocate resources accordingly and force them to operate more efficiently.

Soil Moisture Deficiency Persists

Czechoslovakia, the German Democratic Republic (GDR), and Hungary reported an increase of about 50,000 hectares each in fall sown grain. Yugoslavia reported a decline of over 100,000 hectares. Dry weather was beneficial to fieldwork, but germination was spotty and plant growth weak. The below-normal precipitation during September-January kept soil moisture low and has made grain more susceptible to drought damage this spring or summer. A freeze in mid-November before the plants developed well led to dormancy in Czechoslovakia, Hungary, and Romania. In several countries, the deep plowing was not completed before the onset of winter, and could pose a problem for soil preparation in the spring.

Production To Increase in 1984

The southern countries, which suffered from the 1983 drought more than the northern countries, plan a 3- to 6-percent increase in gross agricultural production during 1984. The goal in northern countries is to stabilize production at last year's level. Planners are promoting faster growth in crops than in livestock. Livestock growth will depend on the domestic feed supply. Yield increases must be generated through management innovations and proper use of scientific advances, because tight farm budgets and lower state subsidies preclude higher spending for investments and inputs. Fertilizer use is expected to decline.

Imports Constrained

Hard currency shortages and large debt-service obligations restrict imports in Eastern Europe. In 1982 and 1983, grain imports were drastically reduced in Poland and Romania, totaling 8 million tons in the region, one-half of 1976-80 average. Imports will likely remain at this level in 1984.

U.S. exports to Eastern Europe

Commodity	1976-80 average	1981	1982	1983
<i>Million tons</i>				
Total grain	7.2	7.2	3.5	1.6
Wheat	1.6	.5	.3	.4
Corn	5.1	6.6	3.2	1.1
Soybean meal	1.4	1.2	.5	.6
Soybeans	.5	.5	.5	.7

Sources: Bureau of the Census, Department of Commerce; U.S. Export Sales, FAS/USDA.

With reduced agricultural imports in Eastern Europe in 1984, the United States cannot expect recovery in its farm exports to the region. U.S. agricultural exports to Eastern Europe were valued at \$840 million in 1983 and are expected to remain at this level. The FY 84 credit guarantees to Yugoslavia of \$125 million (\$75 million for vegetable oil, \$25 million for cotton, and \$25 million for hides and skins) and to Hungary of \$23.5 million (\$15 million for protein meals, \$5 million for cotton, \$2 million for protein isolates, and \$1.5 million for animal breeding material) are lower than in FY 83. [Thomas Vankai (202) 447-8380]

China

Gross agricultural production increased in 1983. Grain, cotton, oilseed, milk, egg, and aquatic output all rose. The rapid growth of production has hampered import demand. Grain imports are dropping, as are imports of most agricultural products. Despite this trend, U.S. exports should be up in FY 84 because of a larger share of China's wheat imports.

Crop Production Rose in 1983

Winter and spring wheat area increased, and record yields pushed total wheat output to an estimated record 80 million tons, up 11.6 million and 17 percent over last year. Rice production is estimated to about equal last year's record. Excellent fall weather boosted yields of rice crops harvested late in the year. These increases offset a decrease in the early rice crop. Favorable summer and fall weather also boosted coarse grain output to a record 90 million tons. Feed supplies should be the best in 10 years.

Oilseed output rose to an estimated 27.8 million tons, 400,000 over last year. The gain came from cottonseed and soybeans. Rapeseed output fell because of a planned decrease in sown area.

Cotton outturn is estimated to be more than 20 million bales, a record and 22 percent above last year. The planned decrease in cotton area did not materialize, instead area increased slightly. Yields rose an incredible 21 percent.

Several factors account for record harvests in 1983. Except for some heavy spring rains in South China and

China: Production of selected agricultural products

Product	1981 ¹	1982 ¹	1983 ²
<i>Million tons</i>			
Total grain ³	241.2	267.2	282.7
Wheat	59.6	68.4	80.0
Rice (milled 0.70)	100.8	112.8	112.7
Coarse grain	80.8	86.0	90.0
Oilseeds			
Soybeans	9.3	9.0	9.3
Cottonseed	5.9	7.2	8.7
Peanuts	3.8	3.9	3.7
Rapeseed	4.1	5.7	4.4
Sunflowerseed	1.3	1.3	1.3
Sesame	.5	.3	.4
Cotton	3.0	3.6	4.5

¹State Statistical Bureau communique. ²Estimate. ³Includes wheat, rice, and coarse grains.

flooding along the Yangtze River in July, the weather was good for crop production. Chemical fertilizer production rose about 7 percent and use of improved seed varieties expanded. The area sown to high-yielding hybrid rice strains expanded 1.1 million hectares to 6.7 million. Yields rose also because agricultural policies emphasized crop specialization. Improved marketing procedures and use of material incentives also boosted yields. The system of placing responsibility at the household level motivated farmers. It linked rewards to output, and decentralized planning and economic decision-making, which resulted in efficiency gains.

Crop Production May Increase

Given normal weather in 1984, crop yields likely will rise again, and China should have another good year. Underway are agricultural policies and structural changes that will contribute to output growth. Another record wheat harvest for 1983/84 is likely because of good fall planting conditions and a planned 667,000-hectare increase in area sown to winter wheat. Of course, the final crop output will depend on spring and early summer weather.

Imports Down in 1983/84

Economic gains and a favorable trade balance in 1983 gave China a good import position. Imports of industrial goods and technology remain high, and bumper harvests cut China's import demand for agricultural products. Wheat imports for 1983/84 are forecast at 11 million tons, 2 million below last year; coarse grains, at 0.5 million, well below 1982/83's 2.5 million; and cotton at only 200,000 bales. Cotton exports are forecast at 500,000. Although a small quantity of oilseed and oils may be exported, there will likely be no soybean imports.

U.S. Grain Sales Should Rise

During calendar 1983, U.S. grain shipments to China were only 3.8 million tons, well below the annual 6-million minimum called for in the long-term grain trade agreement with the United States. Only 3.8 million tons were delivered in 1983. On several occasions China's leaders have indicated that China will meet its agreement obligations for both 1983 and 1984. Given its declining import demand, however, it is possible that some of the shipments will be delayed until 1985.

U.S. agricultural exports to China for FY 83 declined to \$546 million compared with \$1.8 billion in 1982. The forecast for FY 84 exports is for a moderate recovery, primarily because more wheat should be shipped than last year. No U.S. sales of cotton or soybeans to China are forecast for 1984. Total sales are projected from \$900 million to \$1.1 billion. [Frederick W. Crook (202) 447-8676]

Asia

South Asian Grain Harvest Large

India's farm output is expected to rise about 12 percent in 1983/84, with both food grain and oilseed production breaking previous records. Real gross domestic product (GDP) growth is forecast at 7 to 8 percent, based on farm sector gains, continued improvement in

infrastructural services, and resurgent demand in non-farm sectors. Balance-of-payments pressures have eased somewhat because of improved export performance and foreign remittances, and continued declines in the volume and price of petroleum imports. The Government will forego \$1.1 billion in scheduled drawings from an IMF Extended Fund Facility. Inflation, however, is a potential trouble spot because consumer prices, particularly for farm commodities, have shown surprising strength despite favorable harvests.

Indian food grain production is forecast at 144 million tons in 1983/84, 12 percent above 1982/83 and 8 above the previous record. The rice and coarse grain crops harvested late in 1983 are estimated at 57 and 31 million tons, respectively. The wheat and pulse crops to be harvested in April-May 1984 are reported to be progressing well, and the wheat crop is forecast at about 44 million tons, 4 percent above the 1982/83 record. Because of wheat imports during the last 3 years and excellent Government rice and wheat procurement prospects for 1983/84, Government cereal stocks are projected to climb to about 21 million tons—near the targeted level—by July 1984. An Australian offer of 1.5 million tons of wheat on favorable terms has been allowed to lapse, and 1983/84 (July/June) wheat purchases are now expected to be limited to the 2.13 million of U.S., Argentinian, and Canadian wheat already announced.

Government stocks of rice, however, remain low, largely because of high demand through the public distribution systems. The Government has reduced exports and initiated imports of rice to help bolster stocks. Rice exports fell to about 165,000 tons in 1983, while imports totaled about 360,000. Although strong open market prices will likely lead to heavy demand for subsidized cereals in 1984, the improved outlook for procurement and stocks is likely to lead to a sharp drop in wheat and rice import requirements in 1984.

Oilseed production is expected to reach a record 16.1 million tons, 19 percent above 1982/83 and 6 percent above the 1981/82 alltime high. Peanut production is forecast at a record 7.3 million tons, largely because of continued gains in irrigated production during the rabi (spring-harvested) season. Edible oil imports are projected to fall from 1.23 million tons in 1983 to about 1 million in 1984 because the jump in domestic production. The composition of India's vegetable oil imports is likely to become more price sensitive and less predictable because of recent changes in State Trading Corporation buying practices and in regulations that had restricted palm oil use in vanaspati (hydrogenated vegetable oil) production. Current projections call for 1983/84 October-September soybean oil imports to remain at last year's 400,000 tons. Palm oil imports for 1984 are expected to drop to 450,000 tons from last year's 620,000, and rapeseed oil imports to remain near 1983's 100,000 tons.

Bangladesh's economy is expected to grow more than 5 percent in 1983/84, encouraged by record food grain output. Food grain production is projected to rise 5.7 percent to a record 16.4 million tons; rice production, 4.9 percent to 15.1 million; and wheat production, 17.2 percent to 1.3 million. These gains are a result of a good 1983 monsoon, additional irrigated area, and expanded fertilizer use. However, contrary to normal expectations in a good crop year, food grain prices declined only mar-

ginally at harvesttime because of political unrest, but have stabilized in early 1984. On the other hand, the larger 1983/84 crop will lower food grain imports 400,000 tons to 1.4 million. Cereal stocks are expected to be 650,000 tons on July 1, 1984. The rice crop, harvested September-November 1983, is estimated at 3.5 million tons, up about 6 percent from the previous year. Exports of about 2.3 million tons are expected during FY 84.

Pakistan's cotton crop, harvested September-December 1983, is estimated at 2.2 million bales, down 40 percent from the previous year and 45 percent lower than the Government's target. The decline was attributed to unseasonal rains and boll weevil pest infestation. Because of the shortfall, Pakistan is expected to import about 400,000 bales of cotton to meet domestic textile mill requirements.

Favorable winter weather has brightened Pakistan's prospects for its wheat harvest, even though some areas of the Punjab are facing dry conditions. Overall, the Government has fixed the target for 1983/84 wheat production at 13 million tons, about 5 percent higher than in 1982/83.

Sri Lanka's 1983 rice production is estimated at about 1.42 million tons, only 4 percent less than 1982 output, but substantially below the Government's target of 1.70 million. Sri Lanka is expected to import 200,000 to 250,000 tons of rice to meet the shortfall.

Thai Rice Export Prospects Up

Thailand's main November-February harvested rice crop for 1983/84 has been revised upward by 600,000 tons because of opportune late-season rainfall. Output is now estimated at 11.9 million tons; providing an exportable surplus of nearly 3.6 million. In 1983, exports closed at a record 3.7 million tons because of unusually heavy late-season sales. An important Government rice policy initiative for 1983/84, effective October 1, 1983, reduced export premiums and duties to bolster Thai farmers' incomes. However, abundant rice supplies and ongoing price undercutting among traders have weakened the policy's impact on farmers' incomes. Continued optimism surrounds the 1983 corn crop, but the projected output of 4 million tons falls short of the 4.4-million record of 1981. Domestic feed use is likely to decline because of below-average poultry sales to Japan during most of 1983. Thailand's share in the Japanese poultry market has declined largely because the price of Thai poultry has averaged substantially above that of other exporters.

Philippine Financial Crisis Persists

In response to the current financial crisis confronting the Philippines, the USDA has extended \$200 million in GSM-102 credit guarantees to cover proposed purchases of wheat, feed grains, cotton, soybean meal, and a variety of other commodities. The guarantee covers 3-year financing for commodities purchased by September 30, 1984. Under the Central Bank's system of foreign exchange rationing, top priority is given to imports of oil, some foodstuffs, and key industries—particularly those involved in manufacturing goods for export. Since January 1983, official peso devaluations of nearly 40 percent vis-a-vis the U.S. dollar (and fear of another) have further fueled inflation and panic buying. Prices for some

goods reportedly have risen as much as 50 percent. Presently, weather is near normal, unlike last year's drought, but crop and livestock production may still be hindered by insufficient supplies of imported inputs, such as fertilizer, insecticides, animal vaccines, and breeding stock. The 1983/84 rice output is forecast to fall 3 percent below 1982/83 to 4.9 million tons, with apparently adequate stocks to meet domestic food needs of nearly 5.2 million.

Poultry and livestock numbers are likely to decline 10 to 15 percent during 1984. A tight feed supply is likely to continue in 1984 because of only marginal improvement in 1983/84 corn production, and restrictions on imports of soybean meal and corn, which have provoked increases of over 40 percent in local selling prices for these commodities since July 1983.

Indonesian and Malaysian Harvests Good

Despite a prolonged drought at planting time, Indonesia's 1983 rice production of a record 23.3 million tons was slightly above the 1982 outturn. Timely, abundant, and well-distributed rainfall has strongly enhanced prospects for a huge 1984 wet-season rice harvest. Overall 1984 rice output may reach 24.5 million tons, boosted also by greater fertilizer use, increased plantings of pest-resistant seeds, and improved irrigation. With a 24.5-million-ton harvest, import requirements could drop to 1 million tons, down from 1.2 million (4.7 percent of domestic use) in 1983. Strong Government-imposed austerity measures have sharply reversed Indonesia's rapidly declining foreign exchange reserves, while laying the foundation for a recovery in economic growth.

Malaysian palm oil output could reach 3.8 million tons in 1984, up 26 percent from the reduced 1983 harvest, assuming that production growth will be restored by April. Since September 1982, Malaysia's monthly palm oil production has been running below a year earlier because of drought, biological stress from 1982's huge output (associated with the introduction of the Cameroon weevil to enhance pollination), and underfertilization by growers. Even if palm oil production of 3.8 million tons is realized in 1984, exports would only match 1983's 3 million, which was accomplished by a sharp drawdown in stocks.

Korean Economy Rebounds

South Korea's economy performed remarkably in 1983. Real income rose 9 percent, while wholesale prices dropped slightly—the first decline in 25 years. Exports grew by nearly 12 percent to \$24.1 billion, reducing the current account deficit by \$900 million.

Rising real incomes led to a shift in consumer demand from food grains to livestock products. Weather and pest problems reduced rice production to 5.1 million tons, down from the drought-affected level of 1982; barley production increased substantially, again because of weather. However, declining consumer demand for both grains left the Government with a burdensome increase in official stocks.

Swine numbers nearly doubled to 4 million head during the year as breeders responded to growing pork demand. The resulting overproduction caused hog prices in early

January 1984 to plunge to roughly half those of a year earlier. Beef cattle numbers rose as well, but less dramatically. An 18-percent increase in beef production kept down imports of Australian beef. The broiler and layer industries declined because of oversupply and relatively static demand. The combined increase in livestock numbers and meat production led to a 36-percent increase in formula feed production. This, in turn, led to a substantial increase in imports of feed grains, soybeans, and soybean meal. However, as U.S. corn and sorghum prices rose sharply, there was a shift to cheaper grains and to finding other suppliers.

Stagnant export demand for textiles and rising world cotton prices compared with polyester fiber were partially offset by increased domestic textile demand, but imports of raw cotton fell slightly during the year. The U.S. market share also declined because of price competition from other cotton exporters.

Taiwan's 1983 rice crop is expected to reach 2.4 million tons, up about 200,000 from the previous year, and far exceeding the Government target of 2 million. [*E. Wayne Denney (202) 447-8229*]

Africa and Middle East

Nigeria Facing Tight Food Supplies

Nigeria's per capita agricultural output has declined significantly during the last decade, standing at 82 percent of the 1969-71 base period. In 1983, drought in the North caused a 20-percent drop in grain production, which will severely strain food supplies this year. Imports of at least 4.5 million tons would be needed to maintain grain consumption. But Nigeria is not likely to import more than 3 million tons. The new Government is proposing further reductions in import expenditures, while attempting to hold down food prices.

1983 Drought Worst in 10 Years

In 1983, overall precipitation was below normal, but the low-rainfall areas of the north were most seriously affected—averaging only 50 percent of normal rainfall. Overall grain production was down at least 20 percent, to 8 million tons. Sorghum was down 25 percent to 2.8 million tons; millet and corn, about 15 percent; rice, 10 percent; and root crops, 10 percent.

Trade Restrictions Reduce Imports

Although agricultural items continue to account for about 20 percent of Nigeria's import bill, they have declined dramatically since 1981 because total imports have fallen from \$21 billion to \$10 billion. Much of the decline comes from restrictions on nonessentials, while difficulties in obtaining import licenses and letters of credit have slowed others. Also contributing were falling world prices for many bulk items, and a record grain harvest in 1982.

Grains are Nigeria's most important food import. In 1981, the country paid \$725 million for 2.7 million tons of grain. Estimates for 1983 show a 30-percent drop in the value of grain imports, to \$510 million, but the quantity decreased only 13 percent. One major factor was a

\$25-a-ton price drop for wheat, which makes up 45 percent of the total. The price paid for rice declined sharply, as Nigeria switched from U.S. to Thai rice. While volume remained around 650,000 tons, the value declined 37 percent. Reduced corn imports were largely due to the good 1982 harvest. The value of sugar imports also dropped with the world price—from \$525 million in 1981 to about \$325 million in 1983. There was little change in the quantity imported.

Policy To Influence Food Situation

In trying to assess Nigeria's current food supply, the new Government of Major General Buhari faces several unknowns. With the exact size of the 1983 grain harvest uncertain, actual production could range either 10 percent higher or lower than current estimates. This means a difference of 1 million tons in total availability. In recent years, grain imports have averaged about 2.5 million tons. Therefore, a 2-million-ton shortfall in production would indicate import needs of 4.5 million. Under the best circumstances, the Nigerian marketing system can probably handle about 3 million tons of imported grain.

Another unknown is the magnitude of unrecorded grain trade. In years of good production, grain is sold to neighboring countries for hard currency. If shortages occur in Nigeria, grain is less likely to move out of the country. Significantly higher prices in Nigeria might encourage movement of grain from neighboring countries. There is little information on Nigeria's grain stocks. The military Government has discovered stocks of imported rice in some warehouses, but these supplies will probably not increase availability significantly. Because of the good 1982 harvest, grain stocks at the beginning of the 1983 harvest were larger than normal.

The new Government is just beginning to spell out its food importing policies for the coming year. Nigeria's central bank announced a 50-percent cut in foreign exchange available for imports to \$400 million a month. While actual imports are likely to exceed this, there is little room for expansion of grain imports above 1983's 2.3 million tons. If grain shortages occur, the Government will have trouble holding down food prices as promised.

Under the latest Government pronouncement, raw materials and spare parts, which include wheat and cotton, are considered priority imports, receiving 58 percent of the foreign exchange allocations. Food is to receive 12 percent. In order to maintain adequate food supplies this year, the Government must enforce its policy of allocating foreign exchange only to essential imports, come to terms with the International Monetary Fund (IMF) on the conditions for a \$2- to \$3-billion loan, and work out credit arrangements with its major food suppliers.

Israeli Economy Buffeted by Inflation

Israel's economic difficulties intensified during 1983 and into early 1984. Especially troublesome has been the negative export growth because sales abroad are a vital element in the country's GNP and comprise 55 percent of its total industrial production. In 1983, the value of Israel's agricultural exports continued to decline as a result of weak European currencies vis-a-vis the strong

U.S. dollar, as well as port slowdowns late in the year. Israel's balance of payments in 1982 and 1983 continued to deteriorate at an alarming rate, with the current deficit estimated at \$5.3 billion compared with \$3.9 billion in 1980. This was caused partly by an Israeli Government effort to reduce inflation via an artificially high exchange rate.

Israel's agriculture is not only a major contributor to the country's food supply but also an important source of its export earnings. In recent years, the profitability of Israel's agriculture has become a major problem, and as it continues to decline, the outlook for the farming community becomes somewhat clouded. The heavy dependence on exports creates a direct link between the Government's general monetary policies and farming profitability. As the export market becomes less profitable and sometimes a losing proposition, farmers become more disillusioned about the Government's role in resolving their problems.

Inflation Devastates Economy

Israel's inflation reached a record in 1983. Preliminary estimates are at slightly over 190 percent, about one-third higher than in the previous 2 years. Up to September, estimates were at 130 percent, but because of a sharp cutback in subsidies, plus a 23-percent devaluation of the shekel at that time, prices rose sharply in the final quarter of 1983. Since then, food prices have continued to climb, and the shekel continues to be devalued.

The ramifications of this inflation and the particularly sharp price increase have been swift. Worker strikes and walkouts have occurred, protesting the sharp price increases and demanding compensatory wage increases. Port workers disrupted some of Israel's major agricultural exports at the height of the citrus exporting season. Other fresh exports have also been affected. This comes when Israel's agricultural exports are already under stress. Some farm produce has been airlifted to Europe, but exports of citrus have been particularly hurt.

Value of Agricultural Exports Declines

Preliminary data for 1983 show that total exports declined by nearly 3 percent, compared with 1982. The value of agricultural exports dropped nearly 6 percent and citrus nearly 7 percent. In addition, the export of agricultural-based industrial products dropped over 11 percent. In December, when strikes took their toll, overall exports were down 1.4 percent, but the value of agricultural exports declined 22.4 percent, with citrus down over 23 percent, and those of agricultural-based industrial products nearly 35 percent.

Israel's agricultural exports to the United States have never been large, and have consisted mainly of specialty items geared for a special market. However more recently, Israel envisions the expansion of its agricultural exports, especially horticultural products, to this country through the establishment of a free-trade area. Horticultural products currently comprise over 90 percent of Israel's \$50 million agricultural exports to the United States. [Michael Kurtzig and Margaret Missiaen (202) 475-3444]

Latin America

Economic Outlook Unchanged

Latin America suffered its third consecutive year of recession and financial crisis in 1983. The region's GDP declined 2 to 4 percent from 1982. Serious foreign exchange shortages along with severe austerity measures adopted by most countries retarded imports, especially of high-value products. Preliminary estimates indicate that Latin American imports dropped nearly 30 percent from 1982. On the other hand, exports grew by nearly 10 percent, resulting in many countries registering record trade surpluses.

Agricultural Output Lower

Agricultural production in Latin America during 1983 declined about 0.7 percent from 1982. However, this was still about 1 percent above the long-term trend (1954 to 1982). Historically, agricultural output in Latin America has been expanding at nearly 3.4 percent annually. In 1983, 14 countries showed declines while 11 countries gained.

Cereals were mixed, with wheat and rice falling 18 and 6 percent, respectively. Corn and sorghum increased about 6 and 5 percent. Interestingly, wheat was still about 9 percent above the trend, while corn was about 2 percent below trend.

Potato and cassava production was down, while dry bean output was higher, but most other pulses were down. Sugarcane was up about 2 percent, but still nearly 3 percent below trend. Oilseed output was mixed. Cottonseed, flaxseed, peanuts, and rapeseed were down, while soybean, sesame, sunflower, and safflower were higher. Soybeans were up 7 percent from 1982 and nearly 18 percent above trend.

Livestock production for the most part was down in 1983. Beef and veal and pork were off 4 to 5 percent. Poultry was down about 1 percent. Milk was steady, while egg output was up 2 percent.

Mexican agricultural production for 1983 was about 1.4 percent below 1982 and nearly 5 percent below the long-term trend. Livestock and livestock products fell: Decreases were 19 percent for beef and veal, 10 for pork and poultry, but only 2 for eggs. The crop sector was mixed. Wheat output was down a sharp 24 percent, while sugarcane fell 18. Coffee slipped 3 percent, but strawberries dropped a whopping 42 percent. Corn and sorghum, on the other hand, experienced sharp jumps compared with 1982, up 36 and 25 percent, respectively. However, they were still 12 and 10 percent below the long-term trend.

The 1983 Caribbean Basin countries' output was mixed. About half the countries showed gains. Sporadic drought lowered output in Cuba and Haiti, with rice in both countries turning out lower than in 1982. Cuba's sugarcane declined 10 to 15 percent.

In Central America, production was up slightly, with Guatemala, Nicaragua, and Panama registering gains. While Guatemalan and Nicaraguan production was

higher than 1982, it was down 8 to 10 percent, respectively, from the long-term trend.

Brazil's output increased nearly 8 percent from 1982 and 10 percent above the country's long-term trend, attributable to a sharp increase in coffee. Corn was up about 8 percent, while soybeans jumped about 15. On the livestock side, beef and veal were up about 4 percent, while the other commodities showed little, if any, gain.

Argentina's 1983 agricultural production declined nearly 9 percent from 1982 and about 1.5 below the long-term trend. Wheat and sunflowers were the only major grain and oilseed crops to show an increase. Fruit also increased. Livestock output declined from 1982 and the long-term trend.

Production in the Andean region was down in 1983, mainly because of weather. Only Chile registered an increase, up 2.6 percent from 1982 and 4 over the long-term trend. Wheat, sugarbeets, fruits, beef and veal, and milk were higher. Bolivia, Colombia, Ecuador, Peru, and Venezuela all suffered declines from 1 to nearly 30 percent.

U.S. Exports to Latin America Down

In FY 84, the value of U.S. farm exports to Latin America is forecast to decrease modestly to \$4.5 billion, because of lower quantities. This assumes that production and slow economic growth will persist. Mexico will be the largest market at \$1.4 billion, down from last year's \$1.8 billion. This decrease comes because Mexico is buying more from other sources and has been increasing coarse grain output. South America will account for \$2 billion, while the combined Caribbean and Central America market will take \$1.1 billion.

Wheat remains the key U.S. commodity export to the region, accounting for nearly 27 percent of the total value of farm sales to Latin America. Wheat exports during FY 84 are expected to increase because of larger sales to Mexico, and may reach 7.9 million tons with a value of \$1.2 billion for the region.

Feed grain shipments are expected to decline nearly 2.4 million tons to 7.6 million valued at \$1.1 billion, about 23 percent of the total value of U.S. farm exports to the region. Mexico is expected to take about 4.3 million tons, down sharply from last year.

Exports of oilseeds and products to Latin America are expected to remain near last year's \$1.0 billion. These products account for about 21 percent of the value of U.S. farm exports to Latin America. Mexico is expected to take \$372 million of oilseeds and products; Venezuela, \$210 million; South America (excluding Brazil and Venezuela), \$196 million; and the Caribbean basin, \$219 million.

Animal products, fruits, nuts, vegetables, and other high-value farm products have typically accounted for about 30 percent of the value of U.S. agricultural shipments to the region, with Mexico, Venezuela, and Brazil the largest buyers. Because of the widespread slump in purchasing power, the region is expected to take only \$1.2 billion of these products in FY 84. [John Link (202) 447-8133]

Agricultural Protectionism Study

A recent Japanese study provides a comparative look at agricultural support policies among several major countries. It is notable for its unusual focus on consumer, rather than the more frequently discussed producer, benefits from domestic and trade policies affecting agriculture.

The study was written by two well-known Japanese economists, Professors Yujiro Hayami and Masayoshi Honma of Tokyo Metropolitan University, and released under the auspices of the Forum for Policy Innovation. This is a group of leading Japanese economists and political scientists who are funded by several individual Japanese industrialists, and whose past reports have been influential on opinion about government policies. The study's conclusions present a viewpoint, infrequently aired in Japan, that tends to question the basis of more commonly held views of Japanese agricultural trade. The report is likely to be studied by Japanese officials or private groups, particularly considering its release concurrent with bilateral discussions on Japan's import quotas for U.S. beef and citrus, which expire March 31, 1984.

The study compares the "nominal rates of protection" of the agricultural sectors for 10 major countries—with special attention to grains and livestock—every 5 years from 1955 to 1980. The study calculates the rate of protection as the percentage by which the world price for a commodity or a commodity group falls below its domestic price. For an individual commodity, the rate of protection equals the domestic price less the world price, divided by its domestic price.

This method assumes that the higher domestic price would have been forced down to the world price—generally considered the lowest consistently available price (when adjusted for transportation and other import costs)—if it were not for the operation of "protectionism." This concept attempts to explain the degree to which producer incomes are supported by higher consumer prices. The observed divergence between the domestic and a selected world price does not in itself explain, however, how much of the difference comes from government policy, technical market imperfections, or other factors.

The study compared "protectionism" in Japan with Denmark, France, West Germany, Italy, the Netherlands, the U.K., the United States, Sweden, and Switzerland. The commodities measured included six grains—wheat, rye, barley, oats, maize, and rice; five livestock products—beef, pork, chicken, eggs, and milk; and two other commodities—sugarbeets and Irish potatoes. The data came from national and international sources such as the

Nominal rates of protection

Country	1955	1960	1965	1970	1975	1980
<i>Agricultural sector</i>						
U.S.	2.3	0.9	7.6	9.8	3.8	-0.1
France	23.8	18.5	21.9	30.6	21.9	22.8
Germany	21.9	28.9	31.9	30.7	26.4	29.6
Italy	29.5	29.9	34.7	37.1	23.3	32.9
Neth.	10.7	18.1	23.5	25.7	22.4	20.2
U.K.	25.9	25.4	15.9	19.9	5.3	24.3
Denmark	4.3	3.1	4.3	13.6	15.5	19.6
EC ¹	23.3	24.3	28.1	31.5	20.8	26.0
Sweden	23.8	28.7	31.7	36.8	26.8	33.6
Switz.	34.7	35.5	39.4	45.7	46.5	53.1
Japan	15.0	29.3	40.3	42.1	42.7	45.5

¹1955-1970 weighted average of France, West Germany, Italy, and the Netherlands; 1975-1980 also includes Denmark and the United Kingdom.

Source: The Forum for Policy Innovation Research, Report No. 1, *The Agricultural Protection Level of Japan in an International Comparative Perspective*, English Summary, December 15, 1983.

Food and Agriculture Organization (FAO) of the United Nations in Rome, the Organization for Economic Cooperation and Development (OECD) in Paris, and the EC Commission in Brussels, and was processed to be internationally comparable.

The report suggests that in 1980, the study's most recent year, only Switzerland had a larger difference between consumer prices and world prices than Japan for the overall agricultural sector. The United States, however, had the smallest difference of all the countries studied.

Japanese agricultural producer support increased most rapidly during Japan's fast industrial growth between 1955 and 1965. During this period, the report suggests that high support payments to agricultural producers substantially eased the costs of industrial adjustment. These support payments slowed the migration of farm workers to cities, mitigating the income disparity between rural and urban areas at the time, and may have averted social and political tensions during the period.

According to the study, Japanese agricultural support, with its consequent effects on consumer prices, is higher for grains than for livestock products, whereas in other industrialized countries that were studied, the reverse is true. In 1980, for example, the study measured a 66-percent difference between Japanese domestic grain prices and lower world grain prices, but only a 29-percent difference between Japanese and lower world livestock prices. For other industrialized countries, the EC for example, grains diverged from world prices 18 percent, whereas world livestock prices fell below the EC domestic price 29 percent. The high subsidy cost and technical difficulty of substituting Japanese rice as livestock feed was thought to explain this difference. [Edward C. Wilson (202) 447-8470]

World Agricultural Output Declines in 1983

Boyd A. Chugg

World Analysis Branch
International Economics Division
Economic Research Service

Abstract: World production of agricultural commodities during 1983 fell 1.5 percent below the 1982 record. The reduction, higher than any previous year, came primarily from the U.S. shortfall. Over the past 10 years, agricultural output barely kept pace with the growth in population. Output per capita showed a weakening position throughout Africa with more food aid shipments to the area.

Keywords: Agricultural production, production indexes, per capita indexes, population, food aid, world, Africa, Latin America, Asia, Europe.

Output Declined in 1983

During 1981 and 1982, world food and agriculture production grew at rates of 3 to 4 percent. Early last year, large supplies, weak demand, near-record stocks of grains and oilseeds, and falling prices characterized the commodity outlook. Obviously, the contrast with this year has to do with the supply side. Preliminary estimates indicate that world agricultural production in 1983 could be down 1 to 2 percent. The drop is centered in the United States, and more specifically in U.S. grains and oilseeds. To put the global decline in perspective, the year-over-year index of world agricultural production has either gained or remained the same for the past 32 years. However, while 1983's estimated decline in world agricultural production is almost unprecedented in post-War history, production will be still 3 percent above the average of the past 5 years.

The decline in U.S. production was striking. After 2 record-high years, 1983 production fell off about 19 percent, the lowest crop since 1974. Livestock output continued its modest increase. Cereal production was down nearly 40 percent, with corn output the lowest since 1970, and the area harvested plummeted to the smallest this century. The area-reduction programs, including the PIK program, accounted for much of the reduced crop acreage, particularly for feed grains, soybeans, and cotton. Furthermore, last year's severe drought had a significant effect on the corn and soybean growing areas.

While much of the decline was centered in the United States, smaller declines were noted in the Republic of South Africa (15 percent) and Western Europe (2 percent). However, increases in food and agricultural production in two of the world's largest agricultural producers, China and the Soviet Union, partially offset these

World indices of agricultural production

Country	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	Growth ¹	1983 1982
1969-71 = 100											Percent	
Developed	106	109	109	113	116	120	118	123	125	115	1.5	-8.0
U.S.	102	110	113	118	118	124	117	131	131	106	1.4	-19.1
Canada	93	104	113	116	119	116	118	128	135	130	3.3	-3.7
Japan	99	104	98	107	105	105	95	96	98	99	-5	1.0
S. Africa	125	117	119	129	133	129	137	153	135	115	1.0	-14.8
Oceania	103	111	113	112	122	117	108	115	108	120	.7	11.1
W. Europe	111	108	107	109	115	119	124	121	125	123	1.8	-1.6
Developing	109	116	118	124	130	129	132	139	139	142	2.8	2.2
S. & Cent. America	116	120	121	129	134	138	142	150	149	148	3.1	-7
N. Africa	108	112	116	107	118	120	127	123	128	124	1.8	-3.1
Sub-Sahara ²	105	107	107	108	111	114	117	121	122	119	1.8	-2.5
Middle East	117	121	134	133	140	138	141	140	146	147	2.3	.7
S. Asia	101	111	109	119	124	118	121	130	127	138	2.8	8.7
E. Asia ³	115	123	130	135	143	143	147	156	158	160	3.6	1.3
Centrally planned	116	113	119	118	126	126	125	126	134	138	1.9	3.0
USSR	111	104	115	114	123	115	112	109	116	123	.8	6.0
E. Europe	119	117	121	121	126	124	121	124	128	125	.7	-2.4
China	119	123	122	121	132	147	148	156	172	179	4.8	4.1
World	110	112	115	117	123	124	124	128	132	130	2.0	-1.5

¹Annual compound growth rate 1974-83, least squares method. ²Excludes South Africa. ³Excludes China and Japan.

declines. Australia showed the largest production increase on a relative basis (11 percent), with its crop output recovering from the effects of drought in 1982. Foreign output actually increased in 1983 about 2 percent, which is near the growth trend of the 1970's.

The developing countries, as a group, increased food and agricultural production about 2.2 percent above 1982. While this increase falls short of the historical trend of 2.8 percent annually, it barely kept pace with the estimated 2.4-percent population growth rate. The largest percentage decline in production was in Africa. Even including a few countries with slight gains, all of Africa combined experienced a 3-percent decline in food production. Severe drought in Southern Africa and in some countries in North and West Africa reduced food output substantially. Combined with a population increase in Africa of nearly 3 percent, per capita food output fell nearly 6 percent. In some countries, such as Senegal, Zimbabwe, and Mozambique, food output per person fell more than 20 percent, among the largest declines around the world. Larger populated countries, such as Ghana and Nigeria, fell 10 percent.

The Latin American region also experienced a decline (1 percent) in food and agricultural output in 1983. Historically, Latin America has posted one of the strongest trends in agricultural output, 3.1 percent annually over the past 10 years. But last year's El Nino (weather pattern) reduced output in the northwestern countries 10 percent or more, along with lower wheat, corn, and beef output in Argentina. Brazil, on the other hand, had a record agricultural output 20 percent greater than 1982, which was one of its highest. The 1983 corn crop of 23.4 million tons set a record for the country, and its soybean crop was the third largest.

Offsetting the declines in Africa and Latin America, the Far East continued its upward trend in agricultural production. In this highly populated region, the 1983 gain in agricultural output was one of its best at nearly 7 percent. Much of the gain was attributed to the record rice and wheat crops in India and Bangladesh. Indonesia and Thailand also had record or near-record rice crops during 1983, along with a generally favorable growing season for all crops, raising output 3 to 4 percent above the previous year.

In the Soviet Union, substantial gains in livestock output boosted the index of agricultural output to the 1978 record, despite lower levels of grain output. Livestock comprises roughly 53 percent of Soviet output, compared to 51 percent just 5 years ago. In addition, China, the world's largest agricultural producer, continued to expand agricultural output. Following a 10-percent increase in aggregate output in 1982, China recorded a further 4-percent increase in 1983. In less than 10 years, China has increased wheat production from around 50 million tons to a record 80 million in 1983. Production of soybeans, cotton, and pork also increased substantially in recent years. It is interesting to note that production from three countries (China, the United States, and the Soviet Union) make up nearly 45 percent of world agricultural output.

Much lower world production in 1983, particularly for grains and oilseeds, will set the stage for supply condi-

tions as we move into 1984. Grain and oilseed production are important to the world's food and feed supply and provide a good indication of changes in world agricultural production. Nearly 40 percent of the value of world food production comes from grains and oilseeds (including the value of the grain used in livestock production). Thus, one needs only to look at the grains, oilseed, and livestock complex to understand the status of the supply situation, which for the first time in several years might be considered "tight."

Production To Rise in 1984

Two factors point to the likelihood of a sizeable increase in U.S. crop output next year. First, the 1984 programs provide less incentive to limit production acreage than in 1983. Diversion and advance deficiency payments will not be offered, and a PIK program will be offered only for wheat. Therefore, participation in the 1984 program is expected to be considerably lower than in 1983. Furthermore, the higher feed grain and oilseed prices will make participation less attractive. Second, in addition to an increase in acreage, yields are likely to be up from last year. This assumption is based on 1983 yields for U.S. coarse grains being nearly three standard deviations below trend. Not since the mid-1930's has there been a similar fall-off in yields, and never has there been a back-to-back three standard deviation fall from trend.

If foreign output continues to expand more than 2 percent per year, U.S. farm output could return world production and available supplies for 1984/85 to "surplus" conditions. Tentative estimates would indicate an increase in world agricultural output of greater than 4 percent in 1984.

Per Capita Production Barely Rising

Over the past decade, increased supplies of food and fiber have barely kept pace with the growing population. Per capita world agricultural production has risen only 0.3 percent annually. Few countries, however, are self-sufficient in their national supply of all food and fiber and are therefore dependent on imports for supplemental supplies. Shortages occur occasionally from bad weather, lack of foreign exchange for imports, inadequate marketing facilities, civil strife, and other unforeseen circumstances. But in many countries, particularly in Africa, the deterioration in per capita food production has become chronic. Nearly all African countries presently have a negative per capita growth rate in agriculture.

Population growth over the past decade was the highest in the Middle East, North Africa, and Sub-Saharan Africa. Agricultural production has increased in these areas, but not as fast as the population, resulting in a decline in per capita production. Food aid in cereals, particularly to North and Sub-Saharan Africa in recent years, reflects extensive needs. Per capita food availability and consumption in the African regions leave little or no buffer stocks in the event of production shortfalls. Food aid to South Asia in recent years also reflects relatively low per capita production, low caloric diets, and limited finances for commercial imports. [Boyd A. Chugg (202) 447-8056]

LDC Debt Situation Improves, But Still Precarious

David Stallings

World Analysis Branch
International Economics Division
Economic Research Service

Abstract: The non-OPEC developing world's external payment situation has shown significant improvement in 1983 from 1982. The liquidity crisis of the past 3 years resulted from a combination of unexpected changes in external conditions, which now show evidence of a marked reversal that may persist at least through mid-1984. However, the situation remains uncertain. Sustained real GNP growth in the developed world will be the key to assuring that developing nations can continue to repay their loans.

Keywords: Long-term and short-term debts, repayment, less-developed countries (LDC's), debt-service ratio, Latin America, exports, imports.

Debt Composition Changes in 1983

In 1983, the total external debt of the non-OPEC LDC's continued upward to about \$660 billion by year's end. In 1982, debt was \$610 billion; and in 1981, \$555 billion. The \$50-billion increase from 1982 to 1983 represents the smallest percentage rise of the past 10 years. Borrowing by Latin America accounts for two-thirds of the increment, although debt has continued to rise in other developing regions.

In addition, short-term debt (with maturity of less than 1 year) as a percentage of the total has declined dramatically, from over 18 percent in 1980-82 to 14 percent in 1983. Current estimates place this percentage near that of the early 1970's. Generally, a reduction in short-term debt means that repayments also become lower. Last year, the decline came because many countries, particularly in Latin America, rescheduled their short-term debts. These reschedulings have generally taken a number of short- to medium-term loans (of less than 5 years) and consolidated them into fewer loans with longer durations.

Debt-Service Ratios Decline

Loans to developing countries are made in foreign currencies, such as dollars, and must be repaid in those same currencies. The wherewithal for such payments comes from export earnings. The amount due in 1 year (as a percentage of the total revenue for the period) is referred to as the debt-service ratio. When the ratio rises, a country becomes squeezed between its ability to repay debt and its need to import goods and services. The debt "crisis" over the past 3 years can be best described as an unexpected and sharp increase in the debt-service ratio.

In 1983, the debt-service ratio for all non-oil LDC's fell to 20 percent, from 23 percent in 1982, which marked the second consecutive annual post-WW II high. Much of the increase in debt-service ratios for 1981/82 is concentrated in Latin America. There, the ratio rose from 35 percent in 1980 to 40 percent in 1981, to over half of all

export earnings in 1982. In 1983, however, Latin America's debt-service ratio dropped below 40 percent. Although still not at the 30-percent level of the mid-1970's, the improvement has alleviated a great deal of the short-term payment problems.

The contrast between Latin America and Asia is quite striking, not only in examining the absolute level of the debt-service ratio, but also in evaluating the percentage changes from year to year. Since 1973, the debt-service ratio for Asian LDC's has never risen above 10 percent, while in Latin America it has rarely been below 30 percent.

In examining changes from year to year, it should be noted that in only 2 of the last 11 years have percentage changes in Asian debt-service ratios been greater (in absolute terms) than those in Latin America. The implication is that if changes in debt-service ratios can be closely predicted from year to year, then disruptive effects on imports and economic growth are likely to be less.

Current Account Deficits Diminish

The aggregate current account deficit of the non-oil LDC's has been closely associated with increases in total debt in the past 10 years. More important, the sharp jump in the 1978-81 deficit spurred the rise in short-term debt in 1979-82. Temporary financing is often used to manage transient balance-of-payments changes.

From 1979-81, Latin America had the largest percentage and absolute increases in current account deficits, leading to similar rises in short-term debt from 1980-82. The situation reversed itself in 1983. Current account deficits plunged from \$45 billion in 1981 to \$36 billion in 1982, and are estimated at \$25 billion for 1983. As a result, Latin America slowed the rate of increase in its total debt and lessened its need for short-term financing.

Debt-Service Constraints Slow Trade

To reduce their current account deficits, non-oil LDC's have restrained imports. In 1982, both the volume and

Debt, debt service, and debt service ratios, non-oil LDC's

Item	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
<i>Billion dollars</i>										
Debt, LDC's										
Outstanding	160.8	190.8	228.1	278.4	336.3	396.9	474.0	555.0	612.3	660.0
Long term	138.1	163.5	194.9	235.9	286.6	338.1	388.5	452.8	499.6	570.0
Short term	22.7	27.3	33.2	42.5	49.7	58.8	85.5	102.2	112.7	90.0
Debt service	22.1	25.1	27.7	34.7	50.3	64.6	76.2	94.8	107.1	93.2
Ratio ¹	14.4	16.1	15.3	15.4	19.0	19.0	17.6	20.4	23.9	19.3
Change ²	-9.4	11.8	-5.0	.7	23.4	0	-7.4	15.9	17.2	-19.2
Africa										
Debt										
Outstanding	18	22	27	35	42	50	55	61	67	75
Long term	17	21	26	34	41	48	48	54	60	67
Short term	0	1	1	1	1	1	7	7	7	8
Ratio ¹	6.8	8.0	8.5	9.8	12.0	11.7	11.8	15.1	20.1	18.4
Change ²	-22.7	17.6	6.3	15.3	22.4	-2.5	.9	28.0	33.1	-8.5
Asia										
Debt										
Outstanding	35	40	46	58	67	76	88	101	115	132
Long term	30	35	40	49	58	63	71	81	94	109
Short term	4	5	6	9	9	13	17	20	21	23
Ratio ¹	7.8	8.4	7.7	7.6	9.6	8.7	8.3	9.2	9.7	9.5
Change ²	-18.7	7.7	-8.3	-1.3	26.3	-9.4	-4.6	10.8	5.4	-2.1
Latin America										
Debt										
Outstanding	58	69	82	94	114	135	155	193	209	247
Long term	50	59	71	80	97	113	123	151	162	214
Short term	8	9	11	14	17	22	31	41	47	34
Ratio ¹	28.0	32.2	31.4	31.1	41.7	40.9	35.6	41.4	54.0	37.0
Change ²	-4.4	15.0	-2.5	-1.0	34.1	-1.9	-13.0	16.3	30.4	-31.5

¹Debt service/exports. ²Percent change in ratio from previous year.

Source: International Monetary Fund's *World Economic Outlook*, May, 1983; World Bank; *International Financial Statistics*, various issues.

U.S. commercial agricultural exports, fiscal years

Country	1980	1981	1982	1983	1981 ¹	1982 ¹	1983 ¹	1983/81
<i>Million dollars</i>					<i>Percent change</i>			
Latin America	5,326	6,721	4,775	4,633	26.2	-29.0	-3.0	-31.1
Mexico	2,003	2,732	1,493	1,777	36.4	-45.4	19.0	-35.0
Cent. Am.	353	332	286	267	-5.9	-13.9	-6.6	-19.6
Costa Rica	64	47	34	18	-26.6	-27.7	-47.1	-61.7
Caribbean	659	757	709	712	14.9	-6.3	.4	-5.9
Jamaica	65	91	82	104	40.0	-9.9	26.8	14.3
Dominican Rep.	193	218	155	135	12.9	-28.7	-12.9	-37.9
South America	2,310	2,901	2,288	1,877	25.6	-21.1	-18.0	-35.3
Venezuela	616	898	746	617	45.8	-16.9	-17.3	-31.3
Peru	222	389	282	217	75.2	-27.5	-23.0	-44.2
Brazil	697	843	577	400	20.9	-31.6	-30.7	-52.6
Chile	256	339	247	214	32.4	-27.1	-13.4	-36.9
Eastern Europe	2,282	1,908	897	812	-16.4	-53.0	-9.5	-57.4
Poland	638	668	158	217	4.7	-76.3	37.3	-67.5
Yugoslavia	302	188	178	249	-37.7	-5.3	39.9	32.4
Asia	13,607	15,541	13,815	13,261	14.2	-11.1	-4.0	-14.7
West Asia	1,313	1,714	1,482	1,480	30.5	-13.5	-.1	-13.7
Turkey	13	87	104	28	569.2	19.5	-73.1	-67.8
South Asia	488	312	429	892	-36.1	37.5	107.9	185.9
Pakistan	92	69	217	139	-25.0	214.5	-35.9	101.4
E. & S.E. Asia	3,011	3,587	3,184	4,455	19.1	-11.2	39.9	24.2
Philippines	292	317	312	372	8.6	-1.6	19.2	17.4
Indonesia	336	316	408	376	-6.0	29.1	-7.8	19.0
South Korea	1,585	2,109	1,607	1,713	33.1	-23.8	6.6	-18.8
Africa	1,370	1,983	1,762	1,620	44.7	-11.1	-8.1	-18.3
Morocco	109	123	125	190	12.8	1.6	52.0	54.5
Developed	21,087	21,835	20,496	18,511	3.5	-6.1	-9.7	-15.2
Less-developed	12,222	14,905	12,372	12,699	22.0	-17.0	2.6	-14.8
Centrally planned	5,654	5,611	5,039	2,342	-.8	-10.2	-53.5	-58.3
LDC less Latin Am.	6,896	8,184	7,597	8,066	18.7	-7.2	6.2	-1.4
World	38,963	42,350	37,905	33,552	8.7	-10.5	-11.5	-20.8

¹Percent change from previous year.

value of externally purchased goods decreased dramatically: Volume was down 7.7 percent; and value, down 9.9 percent from 1981. It should come as no surprise that trade in agricultural commodities suffered along with all other goods.

This is especially evident in U.S. agricultural trade with Latin America, when compared with other LDC's, as well as with the rest of the world. For FY 82, worldwide U.S. commercial trade fell over 10 percent from 1981. For all LDC's, the drop was 17 percent, but for Latin America, it was 29 percent. U.S. farm products suffered even more severely, especially in countries most acutely affected by external debt problems; U.S. commercial agricultural trade to Mexico fell 45 percent from 1981 to 1982, and to Brazil, almost 32 percent. Although other factors were involved, there is little doubt import constraints hurt U.S. exports to a number of countries.

The estimated improvement in the debt-service ratio in 1983 implies some relief for U.S. exporters. Commercially available agricultural products purchased from the United States by all LDC's actually increased in FY 83, although still well below 1981 dollar totals. Mexico, whose debt difficulties have received considerable attention, also has increased commercial agricultural purchases from U.S. sources.

All is not quite so sanguine, however, for most of Latin America. Total commercial imports from the United States fell another 2 percent in FY 83, to 31 percent below 1981 dollar totals. Countries such as Costa Rica, Brazil, the Dominican Republic, Peru, and Chile bought less than two-thirds of their purchases in FY 81. The next 2 to 3 years will see continued adjustment to the badly damaged external sectors of many Latin American countries.

Commercial Banks Continue Involvement

From 1973 to 1982, the non-oil LDC's long-term debt held by commercial banks increased from 36 percent of the

total to 44 percent. The sharpest jump of the past 5 years is estimated to have occurred in 1983, as long-term lending rose to almost 47 percent of the total. The upward movement occurred partially as a result of rescheduling short-term loans, as well as continuing the increasing involvement of the private sector in credit flows to the less-developed world.

The rise in commercial involvement in third world debt may seem surprising in light of the problems most troubled nations, such as Brazil and Mexico, may have in repaying long-term debts. Two factors would seem to provide most of the rationale behind such increased participation. First, it is often necessary to alleviate short-term repayment problems with increased lines of credit. Such "involuntary" lending may actually improve the potential for repayment and is certainly not an extraordinary function of lending institutions. Second, and more far-reaching, is the willingness of involved parties to cooperate and alleviate short-term liquidity problems. Negotiations and solutions reached between lenders and governments, often with IMF assistance, have had strong and positive psychological effects on the tenability of the third world in meeting external obligations.

Export Prospects Improve

Borrowing nations repay their debt using export earnings, which depend heavily on income growth in purchasing countries. Unfortunately, real GNP growth of the major trading partners of the non-OPEC LDC's fell steadily from 1976 to 1982. The increase was only 1 percent in both 1980 and 1981, and real income in these mostly developed countries actually declined in 1982. Over the same period, no other single factor is more closely associated with the drop in the growth of export earnings. In 1980, for all non-OPEC developing countries, total export value rose 26 percent from the year before, and volume increased 9 percent. In 1981, valued increased only 5.3 percent, and volume, only 6.3 percent. In 1982, export value actually declined 4.2 percent, volume was stagnant.

Growth of real GNP of major trading partners and exports, non-oil LDC's

Item	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
<i>Percent change from previous year</i>											
Non-oil LDC's											
GNP growth ¹	6.3	0.3	-1.0	5.4	4.2	4.0	3.3	1.2	1.1	-0.4	1.5
Exports											
Volume	9.3	-.1	-.3	11.3	4.9	8.7	9.6	9.0	6.3	.8	4.7
Value	44.1	38.1	-.5	18.9	19.5	14.7	28.9	26.4	5.3	-4.2	6.3
Africa											
GNP growth ¹	6.0	1.6	-1.1	5.1	3.5	3.6	3.1	1.2	.2	.1	.9
Exports											
Volume	3.4	-2.9	-5.8	6.4	-4.7	-2.6	12.8	3.0	-2.6	.4	4.9
Value	37.1	42.6	-5.8	11.9	17.4	-.1	30.2	16.0	-8.8	-7.8	6.3
Asia											
GNP growth ¹	7.3	-.1	-.6	5.3	4.4	4.3	3.5	1.3	1.7	-.2	1.8
Exports											
Volume	15.2	-.2	6.8	25.7	8.6	10.5	9.1	11.1	7.5	1.1	4.2
Value	54.7	33.7	.4	32.1	19.8	21.0	28.9	23.3	8.0	-1.7	6.5
Latin America											
GNP growth ¹	6.3	.1	-1.2	5.2	4.5	4.1	3.1	.8	1.1	-.8	1.6
Exports											
Volume	7.2	-2.7	-3.8	1.5	2.2	11.6	8.7	7.1	9.7	.2	5.4
Value	43.0	41.0	-2.6	17.1	23.9	9.6	29.3	30.1	7.4	-6.9	5.5

¹Of major trading partners.

Source: International Monetary Fund's *World Economic Outlook*, May, 1983; World Bank, *International Financial Statistics*, various issues.

The sharp drop in aggregate demand for exports of the non-oil LDC's also led to steep price declines in many of their major export commodities. Leading the list is sugar, dropping almost 80 percent in price (New York) from 1980 through 1982. During the same period, coconut oil fell 30 percent (New York); copper, over 20 percent; rubber, 40 percent; tin, 25 percent; and an index of all commodities (as computed by the IMF), 27 percent.

The drop in real GNP of major trading partners of non-OPEC LDC's and the fall in commodity prices have been reversed. In 1983, real income in the major trading partners of the non-oil developing world gained 1.7 to 2.0 percent from 1982, and prices of all commodities increased 12 percent from the fourth quarter of 1982. As a result, preliminary indications (based on data through August 1983) are that the total value of exports of the non-OPEC developing world rose around 5 percent from the previous year.

Latin America suffered most from the fall in real GNP and in commodity prices. In 1982, the value of its exports (excluding Venezuela) fell almost 7 percent from the previous year. The rebound in 1983 has been equally dramatic, with exports recovering almost to 1981 levels.

Interest Rates Continue To Rise

With the commercial sector dominating the total value of new loans to LDC's over the past few years, market interest rates play a more important role in the total of repayments. Many loans are extended at variable interest rates, which change the total to be repaid as the selected interest rates, such as the U.S. prime rate or the London Interbank Offered Rates (LIBOR), also change. In particular, the rise in interest rates on dollar-denominated loans has contributed to the difficulties of countries like Mexico and Brazil to repay their debts.

For countries that have contracted loans in dollars, the repayment situation deteriorated most rapidly. Real interest rates rose in the United States as inflation abated. As a consequence, the value of the dollar also increased sharply. This abruptly reversed the circumstances for many borrowers who contracted loans at what they thought to be low real interest rates, to be repaid with a depreciating currency. U.S. long-term real interest rates are now almost 7 percent, well above values at which loans were contracted in 1980 or 1981.

Rescheduling arrangements have also tended to raise the total of interest rate charges, in exchange for lowering amortization of outstanding loans. Conversions of short-term (3-5 year) loans into long-term (5-10 year) commitments often entail the adding of increased risk premi-

ums, while also incurring the higher opportunity costs charged by lending institutions.

Protectionism Impedes Progress

Protectionism is the most definable and preventable damper that could potentially inhibit the less-developed world's continued improvement in meeting its external obligations. If current tendencies persist, even the best efforts of many LDC's to expand their export base and to raise their creditworthiness (as well as their ability to meet debt-repayment schedules) will be frustrated. Caribbean countries have been severely affected by sugar quotas in the United States and the EC.

Outlook for 1984 Guarded

Together, LDC's will continue to be constrained by debt-service obligations through 1984, although the problem is most severe in Latin America. In many cases, and especially in Brazil, the import restrictions that have been imposed will slow both the process of development and real income growth to well below that of the 1970's.

The length and severity of adjustment depends most strongly on the ability of developing countries to increase their export sales to the large market represented by the developed world. The non-OPEC group needs to earn increasing amounts of foreign exchange to repay existing debts and to demonstrate their ability to absorb larger capital inflows. Either a slowdown in economic growth in the developed world or a significant implementation of protectionist measures could lead to much longer lasting pressure on the external trade of the world's poorest nations. To keep debt-service ratios at 20 percent or less without further rescheduling, real GNP growth must be maintained at a minimum of 2.5 percent per year for the next 3 years in the 24 largest Western economies.

Current indications are somewhat positive. Economic growth in Western Europe is rising, following robust recoveries in the United States, Japan, and Canada. Export earnings of the non-OPEC LDC's rose in 1983 from 1982, as have the prices of major primary products. Two factors, however, partially cancel the effects of revitalization in the major export markets. First, real interest rates are forecast to remain at or near historic highs. Second, protectionist sentiment in the developed world is receiving more and more sympathetic hearings.

At this stage, 1984 may be viewed as a transition to one of two equal possibilities. First, 1984 may watch the external positions of most LDC's move from growth-restraining to growth-producing. Second, growth-restraining may become much more the general case. [David Stallings (202) 447-8054]



Reports of the Economic Research Service

U.S. Department of Agriculture

			Subscription Fee		Subscription Fee	
			Domestic	Foreign	Domestic	Foreign
Outlook & Situation Reports						
<input type="checkbox"/>	Agricultural Exports (4 issues)	\$7.00	\$8.75	Other Periodicals		
<input type="checkbox"/>	Cotton & Wool (4)	8.00	10.00			
<input type="checkbox"/>	Dairy (4)	8.00	10.00			
<input type="checkbox"/>	Feed (4)	8.50	10.65			
<input type="checkbox"/>	Fruit (4)	8.00	10.00			
<input type="checkbox"/>	Inputs (4)	8.50	10.65			
<input type="checkbox"/>	Livestock & Poultry (6)	15.00	18.75			
<input type="checkbox"/>	Oil Crops (4)	8.00	10.00			
<input type="checkbox"/>	Rice (2)	5.00	6.25			
<input type="checkbox"/>	Sugar & Sweetener (4)	8.00	10.00			
<input type="checkbox"/>	Tobacco (4)	8.00	10.00			
<input type="checkbox"/>	Vegetable (4)	8.00	10.00			
<input type="checkbox"/>	Wheat (4)	8.00	10.00			
<input type="checkbox"/>	World Agriculture (4)	9.00	11.25			
<input type="checkbox"/>	World Agriculture Regionals (11)	18.00	22.50			
North America/Oceania, Latin America, Eastern Europe, Western Europe, USSR, Middle East and North Africa, Subsaharan Africa, East Asia, China, South Asia, Southeast Asia				For single copy prices, call (202) 783-3238		
<input type="checkbox"/>	Agricultural Economics Research (4)	\$8.50	\$10.65			
<input type="checkbox"/>	Agricultural Outlook (11)	31.00	38.75			
<input type="checkbox"/>	Economic Indicators of the Farm Sector (5)	15.00	18.75			
<input type="checkbox"/>	Farmline (11)	16.00	20.00			
<input type="checkbox"/>	Foreign Agricultural Trade of the U.S. (8) (6 issues plus 2 supplements.)	19.00	23.75			
<input type="checkbox"/>	National Food Review (4)	8.50	10.65			

Note: **ERS Abstracts**, issued periodically, provides descriptive information of current research reports and other publications and their purchase prices. To be placed on the free mailing list for **ERS Abstracts**, and for additional details about ordering publications, please contact: Information Division, Room 4309-S, USDA, Washington, D.C. 20250. (202) 447-7305 and 447-8590.

HOW TO ORDER

- *Check appropriate box.
- *Calculate the total charges for subscriptions and enter below.
- *If your address is outside the United States, use "foreign" price.
- *Make check or money order payable to the Superintendent of Documents.
- *Allow 6 weeks for processing.
- *For faster service or foreign air mail information, call (202) 783-3238.
- *Mail this entire form to: Superintendent of Documents
Government Printing Office
Washington, D.C. 20402

Enclosed is \$ _____ ☐ check,
☐ money order, or charge to my
Deposit Account No _____

Order No _____

**MasterCard and
VISA accepted.**



Credit Card Orders Only
Total charges \$ _____
Fill in the boxes below

Credit Card No. _____

Expiration Date
Month/Year _____

Customer's Telephone No. s
Area Code Home Area Code Office

Charge orders may be telephoned to the GPO order desk at (202)783-3238 from 8 00 a.m. to 4 00 p.m. eastern time, Monday-Friday (except holidays)

For Office Use Only

Quantity	Charges
_____	Publications _____
_____	Subscriptions _____
_____	Special Shipping Charges _____
_____	International Handling _____
_____	Special Charges _____
_____	OPNR _____
_____	UPNS _____
_____	Balance Due _____
_____	Discount _____
_____	Refund _____

Company or Personal Name _____
Additional address/attention line _____
Street address _____
City _____ State _____ ZIP Code _____
(or Country) _____

PLEASE PRINT OR TYPE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300

Moving? To change your address send this sheet with label intact, showing new address, to EMS Information, Rm.400-GHI, USDA, Washington, D.C. 20250.



Postage and Fees Paid
United States
Department of Agriculture
AGR-101

FIRST CLASS

Ag Subsidies Pressure EC Budget

The European Community may have to reduce its agricultural support programs and export subsidies in order to avert a budget crisis, according to a report by USDA's Economic Research Service. Those reductions ought to make U.S. exports more competitive.

Developments in the Common Agricultural Policy of the European Community examines how the EC's farm program (CAP) may evolve, indicates potential price levels in various European countries, and assesses the implications for trade with the U.S. and other countries.

Sweden, although not a member of the EC, is also reducing its farm programs and farm expenditures. *Sweden's Agricultural Policy*, also published by ERS, is the only report available in English to describe recent changes in Sweden's agricultural policies and programs, including the major provisions of Sweden's 1982-84 farm program.

Two of the major changes dealt with in the report are Sweden's reduced government subsidies for agricultural exports (a major aim of U.S. world trade policy) and its changes in import levies for beef and pork.

For More Information. . .

To keep up to date with ERS reports on international trade and other issues, subscribe today to ERS Abstracts. It's a *free* newsletter, published about every 2 months. In it, you'll find plain-English highlights of, and ordering information for, every research report and periodical recently released by USDA's Economic Research Service. To subscribe to ERS Abstracts, just send your name and address to: **Information Division (FA), Room 1664-S, U.S. Dept. of Agriculture, Washington, D.C. 20250**

Developments in the Common Agricultural Policy of the European Community, FAER-172. By Timothy E. Josling and Scott R. Pearson. 80 pages, \$5.50.

Sweden's Agricultural Policy, FAER-175. By Marshall H. Cohen. 40 pages, \$4.25.

Available from Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20250. Make your check or money order payable to Superintendent of Documents. For faster service, call GPO's order desk at (202) 783-3238 and charge your purchase to your Visa, MasterCard, or GPO Deposit Account. Bulk discounts available.